



## I N D E X

September 20th, 2001  
 Examiner Hearing  
 CASE NO. 12,693

	PAGE
EXHIBITS	3
APPEARANCES	4
APPLICANT'S WITNESSES:	
<u>MONA L. BINION</u> (Landman)	
Direct Examination by Mr. Feldewert	10
Cross-Examination by Ms. Walta	19
Redirect Examination by Mr. Feldewert	31
<u>JOHN D. STEUBLE</u> (Engineer)	
Direct Examination by Mr. Feldewert	32
Cross-Examination by Ms. Walta	38
Examination by Examiner Brooks	55
NOSECO, et al., WITNESS:	
<u>HAROLD M. HANSEN</u> (President, Noseco Corporation)	
Direct Examination by Ms. Walta	57
APPLICANT'S WITNESS (Recalled):	
<u>MONA L. BINION</u> (Landman)	
Examination by Examiner Brooks	62
CLOSING STATEMENTS:	
By Mr. Feldewert	64
By Ms. Walta	65
By Mr. Feldewert	66
By Ms. Walta	67
REPORTER'S CERTIFICATE	71

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## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	12	19
Exhibit 2	13	19
Exhibit 3	13	19
Exhibit 4	14, 36	19
Exhibit 5	15	19
Exhibit 6	19	19
Exhibit 7	34	38
Exhibit 8	35	38

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Noseco	Identified	Admitted
Exhibit A	23	61
Exhibit B	44	46

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

## FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
110 N. Guadalupe, Suite 1  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: MICHAEL H. FELDEWERT

FOR NOSECO CORPORATION, GAVILAN DOME PROPERTIES, MESA  
GRANDE LIMITED PARTNERSHIP, MESA GRANDE RESOURCES and  
NEUMANN FAMILY TRUST:

WHITE, KOCH, KELLY & MCCARTHY, P.A.  
433 Paseo de Peralta  
Santa Fe, New Mexico 87501  
By: MARY E. WALTA

## ALSO PRESENT:

MICHAEL E. STOGNER  
Hearing Examiner  
New Mexico Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, NM 87501

\* \* \*

1 WHEREUPON, the following proceedings were had at  
2 4:15 p.m.:

3 EXAMINER BROOKS: Okay, call Case Number 12,693,  
4 Application of McElvain Oil and Gas Properties, Inc., for  
5 compulsory pooling, Rio Arriba County, New Mexico.

6 MR. FELDEWERT: May it please the Examiner,  
7 Michael Feldewert with the law firm of Holland and Hart and  
8 Campbell and Carr, for the Applicant, McElvain Oil and Gas  
9 Properties, Inc. I have two witnesses today.

10 EXAMINER BROOKS: Other appearances?

11 MS. WALTA: Yes, Mary Walta, White, Koch, Kelly  
12 and McCarthy, appearing on behalf of Noseco Corporation,  
13 Gavilan Dome Properties, Mesa Grande Limited Partnership,  
14 Mesa Grande Resources and Neumann Family Trust, all of whom  
15 are working interest owners in the east half of Section 5,  
16 which is the area that was covered by this Application.

17 EXAMINER BROOKS: Okay. Do you have any  
18 witnesses?

19 MS. WALTA: I do not.

20 EXAMINER BROOKS: Very good. The witnesses will  
21 identify themselves for the record.

22 MR. STEUBLE: John Steuble, McElvain Oil and Gas.

23 MS. BINION: Mona Binion, McElvain Oil and Gas.

24 (Thereupon, the witnesses were sworn.)

25 EXAMINER BROOKS: You may proceed when ready, Mr.

1 Feldewert.

2 MR. FELDEWERT: Thank you, we call --

3 MS. WALTA: Mr. Examiner, before we begin taking  
4 testimony in this case, I would like to raise a procedural  
5 matter, and the procedural matter relates to the subject-  
6 matter jurisdiction of this agency. We are here pursuant  
7 to an Application that was filed for compulsory pooling of  
8 a 320-acre pooled area in the east half of Section 5.

9 However, it appears that there is an operating  
10 agreement to which all of the parties are parties and are  
11 subject and to which this entire east half of Section 5 is  
12 subject, the entire 320 acres. And consequently, I guess I  
13 am wondering why we are here before this body when we have  
14 a contract among all of the working interest owners that  
15 covers all of the acreage, and why are we not proceeding  
16 pursuant to the terms of the operating agreement rather  
17 than here before this body?

18 So I would like to call that to your attention  
19 and basically say that because of this operating agreement  
20 I do not believe that the agency has subject-matter  
21 jurisdiction.

22 Also I would like to say that there is a lawsuit  
23 pending according to the complaint which was filed by the  
24 Applicant in this case, McElvain. This property appears to  
25 be part of the subject matter which was covered by that

1 lawsuit, and that lawsuit involves a farmout or farm-in  
2 agreement, an alleged agreement, and under that alleged  
3 farm-in agreement, McElvain contends that it has a right to  
4 earn the working interest of my clients by drilling a well,  
5 and I am concerned that this body may take some action  
6 which would change the rights of the parties as they are  
7 litigating.

8           It appears that McElvain has filed this  
9 Application in order to do an end run on the matters that  
10 are before the District Court in Santa Fe County and again  
11 performing under this disputed contract in order to earn  
12 the interests that are being litigated, and I would not  
13 want to see anything done by this agency that would affect  
14 the rights of the party at all.

15           It appears that McElvain believes that if they  
16 can end-run, get the right to proceed under its Application  
17 here and drill the well, that it may somehow be able to  
18 seal the deal that they claim they have made, but outside  
19 the context of the lawsuit that is now pending.

20           So I wanted to raise those matters as procedural  
21 issues before we get into the substance of the Application  
22 here.

23           EXAMINER BROOKS: Okay, is it correct that this  
24 is -- Is this the same case in which I conducted a  
25 prehearing conference --

1 MS. WALTA: Yes, it is.

2 EXAMINER BROOKS: -- with the parties prior to a  
3 previous setting.

4 MS. WALTA: Yes.

5 EXAMINER BROOKS: It was my understanding at that  
6 time that it was uncontested, that McElvain had an interest  
7 in this proposed unit independent of the farmout that was  
8 involved in the litigation; is that not correct?

9 MS. WALTA: That is my understanding. I  
10 understand that one of the other parties, in fact, NM&O,  
11 who is the former operator of the property, or perhaps they  
12 claim they are still the operator, conveyed some small  
13 working interest or has an arrangement of -- we do not know  
14 the particulars of this, but has an arrangement of some  
15 sort whereby McElvain has some small working interest in  
16 the acreage somewhere in the east half of Section 5.

17 EXAMINER BROOKS: Okay. Would you like to  
18 respond on the issue of the alleged operating agreement,  
19 Mr. Feldewert?

20 MR. FELDEWERT: Mr. Examiner, I'm not aware of an  
21 operating agreement that has been signed by all the working  
22 interest owners in this property. We have requested when  
23 they first raised the issue of an operating agreement that  
24 they produce us a copy of that agreement. They have not  
25 done that. I don't know whether they have one today, but



1 we're not aware of an operating agreement that covers the  
2 east half of Section 5, which is why we are pooling the  
3 parties here today.

4 Other procedural issues, I think we've already  
5 been through this hoop --

6 EXAMINER BROOKS: Right, that's --

7 MR. FELDEWERT: -- some time ago.

8 EXAMINER BROOKS: -- that's why I asked you to  
9 respond only on the question of the operating agreement --

10 MR. FELDEWERT: Thank you.

11 EXAMINER BROOKS: -- because I understand them to  
12 essentially concede that there may be evidence that  
13 McElvain has an interest independent of the interest that's  
14 in litigation. I think you understand that the Applicant  
15 being an owner within the unit is one of the matters here  
16 which you have to prove.

17 But you may proceed with your case.

18 MR. FELDEWERT: Thank you.

19 MS. WALTA: I do have, by the way, the operating  
20 agreement. I'm a little --

21 EXAMINER BROOKS: Okay.

22 MS. WALTA: -- surprised that Mr. Feldewert  
23 doesn't have it, since obviously it appears that he got his  
24 interest from the operator, and --

25 EXAMINER BROOKS: Well --

1 MS. WALTA: -- I wouldn't know why he wouldn't  
2 have a copy of this operating agreement.

3 EXAMINER BROOKS: Let me make my position clear.  
4 I'm not ruling on the jurisdictional issue, and indeed, I  
5 don't think as a Hearing Examiner I can rule on an issue  
6 that -- I can rule on a procedural issue, but I don't think  
7 I can rule on a jurisdictional issue. I think that's  
8 something the Director has to rule on, based on the Hearing  
9 Officer's recommendation.

10 But if you need to place the operating agreement  
11 in evidence and you have a witness to sponsor it, we can  
12 swear another witness, if need be.

13 MS. WALTA: Okay.

14 EXAMINER BROOKS: You can do that when you  
15 present your case.

16 You may proceed, Mr. Feldewert.

17 MR. FELDEWERT: Thank you, Mr. Examiner.

18 MONA L. BINION,

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

21 DIRECT EXAMINATION

22 BY MR. FELDEWERT:

23 Q. Ms. Binion, would you please state your full name  
24 and address for the record?

25 A. Mona Binion, Littleton, Colorado.

1 Q. And by whom are you employed and in what  
2 capacity?

3 A. I'm employed by McElvain Oil and Gas Properties,  
4 Inc., who is the sole general partner of T.H. McElvain Oil  
5 and Gas Limited Partnership, who is an interest owner in  
6 this property that's under the Application --

7 Q. And Ms. Binion --

8 A. -- in my position as land manager.

9 Q. Have you previously testified before this  
10 Division and had your credentials as an expert in petroleum  
11 land matters accepted and made a matter of public record?

12 A. Yes.

13 Q. And are you familiar with the Application that  
14 has been filed by McElvain in this case?

15 A. Yes.

16 Q. And are you familiar with the status of the lands  
17 in the subject area?

18 A. Yes.

19 MR. FELDEWERT: Mr. Examiner, are the witness's  
20 qualifications acceptable?

21 EXAMINER BROOKS: Any objection?

22 MS. WALTA: No.

23 EXAMINER BROOKS: So qualified.

24 Q. (By Mr. Feldewert) Ms. Binion, would you please  
25 briefly state what McElvain seeks with this Application?

1           A.    McElvain seeks an order pooling all mineral  
2   interests from the base of the Pictured Cliffs formation to  
3   the base of the Mesaverde formation, covering the east half  
4   of Section 5 in Township 25 North, Range 2 West, for all  
5   formations and pools developed on 320-acre spacing, to be  
6   dedicated on McElvain's Cougar Com 5 Number 2 well, to be  
7   located at a standard location in the southeast quarter of  
8   Section 5 at approximately 1845 feet from the south line  
9   and 1650 feet from the east line.

10          Q.    Okay.  Would you identify and review for the  
11   Examiner McElvain Exhibit Number 1?

12          A.    McElvain Exhibit Number 1 is a plat that  
13   represents on a tract basis the ownership of the formations  
14   that are included under this Application that underlie the  
15   east half of Section 5.

16          Q.    And what's the status of the acreage in the east  
17   half of Section 5?  Is it federal, fee or state?

18          A.    All the acreage in the east half of 5 is federal.

19          Q.    Okay, and does it identify the ownership  
20   breakdown by lease?

21          A.    Yes.

22          Q.    And does McElvain, T.H. McElvain, Ltd., have an  
23   interest in Lease USA NM-01806?

24          A.    Yes, they have an interest in USA NM-01806 and  
25   NM-1804.

1 Q. Okay, and is that interest dependent at all on  
2 the farmout agreement with Noseco?

3 A. No, it's completely independent. It was acquired  
4 under just a cash acquisition, and we have record title  
5 with the BLM, operating rights title.

6 Q. Okay. Would you identify and review for the  
7 Examiner McElvain Exhibit Number 2?

8 A. McElvain Exhibit Number 2 is a representation of  
9 a combined interest under the east half of Section 5 for  
10 the formations that are included in this Application, and  
11 it represents the status of the commitment of each of the  
12 interest owners under that spacing unit.

13 Q. Okay, so this shows the percentage ownership  
14 interests in the east half of Section 5?

15 A. That's correct.

16 Q. And the parties that are listed as uncommitted,  
17 are those the parties that are subject to the pooling  
18 Application today?

19 A. Yes.

20 Q. Okay. Why don't you summarize for the Examiner  
21 your efforts to obtain voluntary joinder of the interest  
22 owners that are subject to this pooling Application,  
23 beginning with McElvain Exhibit Number 3?

24 A. McElvain Exhibit Number 3 is a letter dated April  
25 12th, 2001, which originally proposed the drilling of the

1 Cougar Com 5 Number 2 well, located in the southeast  
2 quarter of Section 5. It included an authorization for  
3 expenditure and election page for parties to make their  
4 election regarding participation, it included a breakdown  
5 of ownership to the best of our knowledge at that point in  
6 time from the title that we had in place at that time, and  
7 I think it included an operating agreement also that was  
8 offered to the parties for joinder.

9 Q. Okay, was this your first contact letter?

10 A. That was the first contact letter that we sent  
11 out, yes.

12 Q. Okay, then why don't you turn to McElvain Exhibit  
13 Number 4, identify that for the Examiner, please?

14 A. McElvain Exhibit Number 4 is a subsequent letter  
15 that was sent out on May 9th, 2001, and it was predicated  
16 on the basis of new title ownership that we had received,  
17 which created some of the parties under the original letter  
18 as not having an interest in the properties at all; we had  
19 incorrect title information. So we sent a revised proposal  
20 out that showed a correct division of ownership, which also  
21 included the same authorization for expenditure, another  
22 copy of the operating agreement and a revised division of  
23 interest.

24 Q. Has McElvain been able to locate all the interest  
25 owners that are shown on Exhibit Number 4?

1           A.    The owners listed on Exhibit Number 4 that have a  
2 working interest in here have all been located, with the  
3 exception of Mesa Grande Resources, Inc. We have twice  
4 sent the materials out to their location, and they've been  
5 returned unrecieved.

6           Q.    Now, is McElvain Exhibit Number 5 the return  
7 receipts for the certified letter that is marked as Exhibit  
8 Number 4?

9           A.    Yes.

10          Q.    Okay. Now, as I flipped through here I didn't  
11 see a return receipt for the Warren Clark Trust. Can you  
12 elaborate on that?

13          A.    Well, the Warren Clark Trust and the Testamentary  
14 Trust under the will of Warren Clark are both interest  
15 owners that were incorrectly shown on this division of  
16 interest. When we received title, we were provided a  
17 subsequent -- it was a transfer either under a quitclaim  
18 deed or an assignment where those two interest owners had  
19 assigned into Clark and Oatman, a limited partnership which  
20 is controlled by Carolyn Clark Oatman, who had handled the  
21 interest of all three of those parties. So they were  
22 subsequently taken off of our list.

23          Q.    And you sent out a certified letter to Carolyn  
24 Clark Oatman?

25          A.    That's right, and she did receive it, and she has

1 voluntarily committed her interest.

2 Q. Okay. Now, you mentioned the inability to  
3 contact Mesa Grande Resources. There is an address shown  
4 on the return receipt for that company. Have you been able  
5 to contact Mesa Grande Resources in the past at that Tulsa,  
6 Oklahoma, address?

7 A. Yes, we have.

8 Q. And in this case you were unable -- they did not  
9 pick up their mail?

10 A. In this case they did not pick up. Sometimes the  
11 mail is picked up, and sometimes it's not.

12 Q. Now, Mesa Grande, Ltd., is another party that you  
13 show received your certified letter; is that correct?

14 A. That's correct.

15 Q. Do you know the relationship between Mesa Grande  
16 Resources and Mesa Grande, Ltd.?

17 A. Not completely. I mean, the only thing I know is  
18 what I've been able to determine of record and what I've  
19 been told, you know, just on a sideline, and there are  
20 interest owners under the partnership of Mesa Grande, Ltd.,  
21 who are also principals of some of these other companies.  
22 Mesa Grande Resources, Inc., I think there was a principal  
23 there that is also a principal under the limited  
24 partnership. I think that's the only two connections.

25 Q. Has there been any question raised about whether



1 Mesa Grande Resources still owns an interest in this  
2 property?

3 A. We've received a quitclaim deed on -- a copy of a  
4 quitclaim deed that was filed of record, from Mesa Grande  
5 Resources, Inc., that covers these properties, or at least  
6 portions of these properties, so there's some question  
7 whether or not Mesa Grande Resources, Inc., even has an  
8 interest in these properties any longer.

9 Q. Okay. Now, your Exhibit Number 4 lists Cherokee  
10 Operating Company and Williams Production Company as a --  
11 you show them as a zero-percent interest owner. I did not  
12 see a return receipt for those two companies. What is the  
13 status of that -- of Cherokee, do you know?

14 A. Cherokee Operating Company was a mistake. They  
15 had previously owned an interest in the properties but have  
16 subsequently assigned out their interest, and that  
17 conveyance was missed when we had originally done the  
18 title. And I do believe we did have a return receipt from  
19 Williams, though.

20 Q. I think we do for notice of -- purposes of this  
21 hearing, but --

22 A. No, I have it here, it's --

23 Q. Okay, good.

24 A. Yeah. So Williams did receive the -- And  
25 Williams is shown there only for the fact that they have a

1 potential reversionary working interest that, you know,  
2 we're unable to determine if the reversion has taken place  
3 or if it will ever take place, so we have just shown them  
4 on the ownership list as a matter of course.

5 Q. Okay. Now, flipping back to Exhibit Number 2,  
6 could you -- What is the current status of your discussions  
7 with the uncommitted interest owners that are shown on  
8 McElvain Exhibit Number 2?

9 A. The interest owners who we've been able to  
10 communicate with for the most part have indicated they're  
11 interested in voluntarily committing, with the exception of  
12 Arriba Company, Ltd., who had originally said they wanted  
13 to commit and then changed their minds later.

14 Gavilan Dome Properties we have not been able to  
15 reach at all, we don't have a way to reach them.

16 Mesa Grande Resources, we have not been able to  
17 reach them.

18 Mesa Grande, Ltd., has said they would not commit  
19 to anything.

20 Neumann Family Trust and Noseco is in litigation.  
21 We thought we would have a voluntary commitment from them,  
22 but that's under litigation right now.

23 Hooper, Kimball and Williams has verbally  
24 committed to a farmout.

25 And Ibex Partnership and States and Petco have

1 verbally committed to a term assignment.

2 And Williams Production has not responded at all.

3 Q. In your opinion, Ms. Binion, have you made a good  
4 faith effort to obtain voluntary joinder of all the working  
5 interest owners in the proposed unit?

6 A. Yes.

7 Q. Is McElvain Exhibit Number 6 an affidavit with  
8 letters giving notice of this hearing?

9 A. Yes.

10 Q. Okay. Were Exhibits 1 through 6 prepared by you  
11 or compiled under your direction and supervision?

12 A. Yes.

13 MR. FELDEWERT: Mr. Examiner, at this time I move  
14 the admission into evidence of McElvain Exhibits 1 through  
15 6.

16 EXAMINER BROOKS: Objection?

17 MS. WALTA: No.

18 EXAMINER BROOKS: McElvain Exhibits 1 through 6  
19 are admitted.

20 MR. FELDEWERT: Mr. Examiner, that concludes my  
21 examination of this witness at this time.

22 CROSS-EXAMINATION

23 BY MS. WALTA:

24 Q. Ms. Binion, I notice on Exhibit Number 1, if you  
25 could put that in front of you --

1 A. Uh-huh.

2 Q. -- that McElvain is showing an interest in Lease  
3 Number 1806?

4 A. Yes, ma'am.

5 Q. Do you know when McElvain its interest in that  
6 lease?

7 A. March, I believe -- I have the assignment in my  
8 file, sitting back at the chair. I think it was around  
9 March of this year.

10 Q. And from whom did McElvain acquire that interest?

11 A. NM&O Operating Company.

12 EXAMINER BROOKS: I'm sorry, I didn't hear.

13 THE WITNESS: I'm sorry, NM&O Operating Company.

14 EXAMINER BROOKS: Thank you.

15 Q. (By Ms. Walta) Do you know whether at the time  
16 you acquired this interest from NM&O Operating that NM&O  
17 was the operator of any of this particular property?

18 A. I was aware that there was an operating agreement  
19 under -- that covered the property as to the Gavilan Mancos  
20 formation only and that NM&O was the operator named under  
21 that operating agreement, yes.

22 Q. Okay, and how did you become aware of this  
23 operating agreement?

24 A. Well, through inquiry initially, I had asked if  
25 there was an operating agreement and what formations did it

1 cover and who was subject to it, and I was informed  
2 verbally of that.

3 Then I subsequently, when we entered into an  
4 arrangement to acquire the interest of NM&O, I conducted a  
5 due-diligence review of their files and secured copies of  
6 everything that was in the files that was contractual or  
7 otherwise that related to these properties, and the only  
8 thing that was represented in the files was the same  
9 operating agreement that I had been told of verbally, which  
10 covered only the Gavilan-Mancos formation.

11 Q. Okay. Do you recall what the date of that  
12 operating agreement was? Do you have it with you?

13 A. I think my counsel has a copy of it. I don't  
14 know if I have a copy of it in this file. I think it was  
15 January of 1986, maybe. Do you have that?

16 MR. FELDEWERT: If you know.

17 THE WITNESS: I don't remember exactly the date,  
18 not off the top of my head.

19 MS. WALTA: May I approach the witness?

20 EXAMINER BROOKS: You may.

21 MR. FELDEWERT: Can I see it first?

22 Q. (By Ms. Walta) I'm going to hand you what has  
23 been provided to me by NM&O Operating Company and ask you  
24 if that is a document that you found in the files of NM&O  
25 Operating when you did your due diligence, having acquired

1 an interest from NM&O in Lease Number 1806?

2 A. Okay, if I could have a minute to just go through  
3 it.

4 Q. Certainly, take your time.

5 MR. FELDEWERT: Ms. Walta, are you representing  
6 that that was provided to you by NM&O?

7 MS. WALTA: Yes, actually I just got it today.

8 MR. FELDEWERT: Okay.

9 MS. WALTA: Or an identical document today.

10 MR. FELDEWERT: And do you have a copy that we  
11 can mark as an exhibit?

12 MS. WALTA: Actually that's the copy I brought to  
13 mark as an exhibit, so we can do that.

14 THE WITNESS: This is not the operating agreement  
15 that I located in their files, and when I inquired and  
16 asked about it, this is not the operating agreement that  
17 was described to me, because this covers more lands than  
18 just the east half of 5.

19 MS. WALTA: Okay.

20 THE WITNESS: The one that I have covers just the  
21 east half of 5.

22 MS. WALTA: All right.

23 THE WITNESS: And it also includes more parties  
24 than just what's listed on this operating agreement.

25 Q. (By Ms. Walta) Okay. Could you in that

1 operating agreement that is before you find what is called  
2 Exhibit AA?

3 EXAMINER BROOKS: Excuse me just a minute. For  
4 the purposes of the record, I think we should have this  
5 operating agreement marked as an exhibit at this time.

6 MS. WALTA: All right. Do you mark differently  
7 for opposing party, or shall we just continue with your  
8 exhibit numbers?

9 EXAMINER BROOKS: We normally have different  
10 number sequence for the opposing party. Mr. Feldewert, I  
11 see, has the stamp.

12 MR. FELDEWERT: Why don't we mark this Exhibit A?

13 EXAMINER BROOKS: Yeah, we can mark it as  
14 Noseco's Exhibit --

15 MS. WALTA: -- A.

16 EXAMINER BROOKS: -- A.

17 MR. FELDEWERT: Do you have another copy of that  
18 exhibit, Ms. Walta?

19 MS. WALTA: I don't have another copy, I'm  
20 afraid, that is unmarked.

21 MR. FELDEWERT: Then I'll stand over the  
22 witness --

23 EXAMINER BROOKS: Okay.

24 MS. WALTA: Certainly.

25 MR. FELDEWERT: -- if Ms. Binion does not mind.

1 EXAMINER BROOKS: I will give you permission to  
2 do that if Mrs. Binion does not mind.

3 THE WITNESS: No problem.

4 MS. WALTA: As long as you don't bend down and  
5 whisper in her ear or answer a question.

6 EXAMINER BROOKS: Okay, you may proceed, Ms.  
7 Walta.

8 Q. (By Ms. Walta) I wanted to turn your attention,  
9 Ms. Binion, to what is called Exhibit AA --

10 A. Okay.

11 Q. -- which is actually entitled a division-of-  
12 interest exhibit. This indicates that the division-of-  
13 interest exhibit description covers Section 5, legal  
14 description, which is evidently the equivalent of the east  
15 half of Section 5 and that it contains 320.20 acres, more  
16 or less. Did you ever see a document such as this when you  
17 were looking through the files of NM&O in your due  
18 diligence?

19 MR. FELDEWERT: Are you talking about the  
20 Division order?

21 MS. WALTA: The Division order.

22 THE WITNESS: Yes, I think I remember seeing a  
23 Division order itself, independent of any operating  
24 agreement. There was an Oil and Gas Division order in  
25 their files that covered the east half.



1 Q. (By Ms. Walta) Do you remember whether it was  
2 marked as an exhibit, Exhibit AA?

3 A. It was not marked as an exhibit, no.

4 Q. Okay. You indicate also on Exhibit 1 that there  
5 is a T.H. McElvain, Ltd., interest of 17.666670. When did  
6 McElvain acquire its interest in Lease 1804?

7 A. It was the same acquisition from NM&O Operating.  
8 We bought an interest in both leases.

9 Q. Okay, and I assume that you were provided with a  
10 file of information per your request in order for you to  
11 perform due diligence with respect to that interest as  
12 well?

13 A. Yes.

14 Q. Okay.

15 A. I did it at the same time.

16 Q. And I am assuming if I ask you about this  
17 operating agreement and the Division order which is  
18 attached to it, that your answers would be the same --

19 A. That's right --

20 Q. -- with respect to that property?

21 A. -- because it was all at the same time.

22 MR. FELDEWERT: Make sure Ms. Walta finishes her  
23 question before you answer.

24 THE WITNESS: Did I answer it too early? Sorry.  
25 Can you hear me?

1           Q.    (By Ms. Walta) I believe that you testified that  
2 you were shown an operating agreement by NM&O, what you  
3 understood covered only the Mancos formation; is that  
4 correct?

5           A.    Yes.

6           Q.    Okay. Were you told by NM&O that that was the  
7 only operating agreement covering the properties or the  
8 leases in which you were acquiring an interest?

9           A.    Yes.

10          Q.    You made reference to a quitclaim, I believe,  
11 that you indicated covered the interest of Mesa Grande,  
12 Ltd.; is that correct?

13          A.    Mesa Grande Resources, Inc.

14          Q.    Mesa Grande Resources, Inc.

15          A.    Right, and I think it may have included Mesa  
16 Grande, Ltd., in the document.

17          Q.    Okay, and that quitclaim is a recorded document?

18          A.    The copy that I was provided was a recorded  
19 document, yes.

20          Q.    Okay. And the grantee of that interest is whom?

21          A.    The grantee under the document I was provided was  
22 Peter Neumann, I think as nominee or under some capacity  
23 for the benefit of other parties.

24                MS. WALTA: I would like to move the admission of  
25 the Exhibit A.

1           MR. FELDEWERT: Mr. Examiner, I think I would  
2 object on the grounds that there's not a witness here to  
3 testify from where that document came from, to testify that  
4 that is a complete and accurate copy of the document that  
5 existed in whatever file it came from, so I don't think  
6 that the Commission is in any position to accept the  
7 document as presented.

8           EXAMINER BROOKS: Well, in the present state of  
9 the record I'm going to have to, I think, sustain that  
10 objection. We may find it necessary to continue this  
11 hearing in order to get authentication if there's an issue,  
12 but I believe that based on the present record I must  
13 sustain the objection.

14          MS. WALTA: May I make a nit-picking point here?

15          EXAMINER BROOKS: Do.

16          MS. WALTA: That is that she did identify the  
17 division-of-interest portion of that document as a document  
18 that she did review and see in the files of the NM&O when  
19 she was completing her due diligence.

20          EXAMINER BROOKS: Yes, I believe the testimony,  
21 if I recall correctly, was that the designation "Exhibit"  
22 was not on there at the time that it was -- that she  
23 examined it, and --

24          MS. WALTA: Well, she didn't know.

25          EXAMINER BROOKS: -- if it were offered -- a

1 Division order were offered as a separate document, then I  
2 think that it could be admitted, but I don't believe that  
3 -- well, in the present record that the operating agreement  
4 can be admitted.

5 THE WITNESS: Well, the fact that -- if I could  
6 just make a comment, an Oil and Gas Division order is a  
7 very, very, very uncommon thing to see attached to an  
8 operating agreement. So when you would see an Oil and Gas  
9 Division order in a file that isn't marked otherwise,  
10 that's not unusual to see, because that's usually the  
11 document that, you know, production is distributed under  
12 the basis of. It has nothing to do with an operating  
13 agreement because it contains royalties and overrides that  
14 are not subject to operating agreements, and so it's --

15 EXAMINER BROOKS: I will sustain the objection at  
16 this point.

17 You may continue, Mr. Feldewert -- I'm sorry, Ms.  
18 Walta, it's your -- You're examining.

19 MS. WALTA: I'm sorry, I just had one question.

20 Q. (By Ms. Walta) Assuming that you did see the  
21 Division order that we were talking about, it does indicate  
22 that it covers an area of 320 acres. Do you recall  
23 discussing with NM&O or having a discussion with them as to  
24 what acreage it was that was covered by that particular Oil  
25 and Gas Division order?

1           A.    I wouldn't have asked the question, I mean,  
2   because it would have matched what I would have expected it  
3   to cover, because the Mancos formation is on that same 320-  
4   acre spacing pattern, and the production from the Mancos  
5   formation, which is what the existing well is producing  
6   from, would have been attributed to that same spacing unit,  
7   and so that's what the Oil and Gas Division order would  
8   have covered for the Mancos formation. I wouldn't have had  
9   any reason to question it.

10          Q.    Okay. Did you do any checking of the interests  
11   that are set out on that Division order and confirm their  
12   accuracy?

13          A.    I did look at them to confirm if they matched,  
14   you know, what I was showing from the title check, and yes,  
15   I did.

16          Q.    And were they correct?

17          A.    No. Well, I can say they didn't match mine.  
18   Now, if mine were incorrect and those were correct, I can't  
19   really say, because I was not a party to the documents that  
20   created either one.

21          Q.    Okay. Did you do any further due diligence to  
22   determine whose interests were correct, yours, what you  
23   were seeing, or the interests that were shown on the  
24   Division order?

25          A.    I did further title review in the county and the

1 BLM records and determined that that's the way the BLM and  
2 the county reflected title, and that's the title that I  
3 accepted.

4 Q. Are any of these leases federal leases?

5 A. All of the leases are federal leases.

6 Q. And did you also check the records of the BLM  
7 when you were doing your due diligence?

8 A. Yes.

9 Q. And you did not find in those records any -- or  
10 did you find in those records any form of operating  
11 agreement?

12 A. Not in the BLM records, no.

13 Q. With respect to the interest that you acquired n  
14 the NM 1804 lease, Ms. Binion, were there any -- did any  
15 questions arise in terms of the title that NM&O was  
16 conveying to you on that particular lease?

17 A. I'd have to go back and review my files to figure  
18 out exactly, you know, whether or not there was any  
19 question. Certainly there were questions that came up as I  
20 was reviewing the files, and the questions that I had had  
21 been answered, otherwise I would not have acquired the  
22 properties.

23 Q. Okay, so nothing comes to mind right now, at  
24 least?

25 A. Not for that lease, not -- no, no, it doesn't.

1 MS. WALTA: I don't believe I have any further  
2 questions regarding title.

3 MR. FELDEWERT: Mr. Examiner, I have one.

4 REDIRECT EXAMINATION

5 BY MR. FELDEWERT:

6 Q. Ms. Binion -- or a couple -- the Division order  
7 that you referenced seeing, is that for the Prowler Well  
8 Number 2?

9 A. That's what it indicates, yes, at the top, it  
10 says well, Prowler Number 2.

11 Q. And do you know whether Prowler Well Number 2 is  
12 completed?

13 A. The Prowler Number 2 is completed and is  
14 producing from the Gavilan-Mancos formation.

15 Q. And the Gavilan-Mancos formation is the formation  
16 for which you saw a joint operating agreement that was  
17 limited to that particular formation?

18 A. That's correct.

19 MR. FELDEWERT: Okay, that's all I have.

20 EXAMINER BROOKS: Okay, which formations are you  
21 asking pooling?

22 MR. FELDEWERT: Mesaverde.

23 EXAMINER BROOKS: Mesaverde --

24 MR. FELDEWERT: I'm sorry, from the -- Let me be  
25 precise here. We're pooling from the base of the Pictured

1       Cliffs to the base of the Mesaverde.

2               EXAMINER BROOKS:   Okay.

3               EXAMINER STOGNER:   Clarification.   But you're  
4       asking for a 320-acre east-half dedication, which would  
5       only include that Mesaverde Pool; is that correct?

6               MR. FELDEWERT:   Correct.

7               EXAMINER STOGNER:   Okay.

8               EXAMINER BROOKS:   Okay, you may call your next  
9       witness.

10              MR. FELDEWERT:   Call Mr. John Steuble.

11                      JOHN D. STEUBLE,

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

14                      DIRECT EXAMINATION

15       BY MR. FELDEWERT:

16              Q.   Mr. Steuble, would you please state your full  
17       name and address for the record?

18              A.   My name is John Steuble, and I reside in  
19       Littleton, Colorado.

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

21              A.   I'm employed by McElvain Oil and Gas Properties,  
22       Inc., as the engineering manager.

23              Q.   And have you previously testified before this  
24       Division and had your credentials as a petroleum engineer  
25       accepted and made a matter of record?



1           A.    Yes, I have.

2           Q.    Are you familiar with the Application that has  
3    been filed by McElvain in this case?

4           A.    Yes, I am.

5           Q.    Have you conducted a study of the area which is  
6    the subject of this Application?

7           A.    Yes.

8           Q.    And are you prepared to share the results of that  
9    study with the Examiner?

10          A.    Yes, I am.

11               MR. FELDEWERT:  Are the witness's qualifications  
12   acceptable?

13               EXAMINER BROOKS:  Any objection?

14               MS. WALTA:  No.

15               EXAMINER BROOKS:  So qualified.

16          Q.    (By Mr. Feldewert)  Mr. Steuble, have you  
17   prepared exhibits for your presentation in this case?

18          A.    Yes, I have.

19          Q.    Based on your study of the area, are you prepared  
20   to make a recommendation to the Examiner as to the risk  
21   penalty that should be assessed against nonconsenting  
22   interest owners?

23          A.    Yes, I have.

24          Q.    And what is that penalty?

25          A.    200 percent.

1 Q. Okay, why don't you turn to McElvain Exhibit  
2 Number 7, identify that for the Examiner and explain why  
3 that supports your recommendation.

4 A. Exhibit Number 7 is a nine-section area around  
5 the proposed well site, and this shows is the immediate  
6 wells -- or wells in the immediate nine-section area. I  
7 have included on those that are producing or have produced  
8 the initial potential on the upper number and the  
9 cumulative production as of 4-30-01 in the lower number.

10 There are two recent Mesaverde completions that  
11 don't have -- that at this time this was made are not on  
12 pipeline yet, but they have been completed in the  
13 Mesaverde.

14 What this does show is that -- the sparse  
15 drilling in the area, and it also shows that the cumulative  
16 productions are somewhat small for a Mesaverde completion.

17 Q. Has there been any water associated with any of  
18 the wells that are shown on McElvain Exhibit Number 7?

19 A. Yes, there has been. The well in the southeast  
20 of 33 has chronic water problems. The well in the -- the  
21 recent completion in the northwest of 4 has a lot of water  
22 that we're trying -- since our completion in the Mesaverde,  
23 we have to go back and try to isolate the water production  
24 in that.

25 Q. How would you characterize the cumulative

1 production from the wells that you show on this map?

2 A. There seem to be sweet spots, but this particular  
3 map, these are not what I would call exceptional wells.  
4 They're probably better than marginal wells, but they are  
5 wells that will produce some gas over time.

6 Q. Is there any wells that you would classify as a  
7 poor well on this map?

8 A. Yes, the well in the northwest of 4, the recent  
9 completion, is a poor well, and the well in the northwest  
10 of 33 can also be considered a poor well.

11 Q. And those are wells in which you're stepping out  
12 to the west from the existing producing area?

13 A. That's correct.

14 Q. And is that what you're doing with this  
15 particular well?

16 A. Yes, that's correct.

17 Q. Would you turn to McElvain Exhibit Number 8,  
18 identify that --

19 A. Exhibit Number 8 is just a larger area. It shows  
20 the same information, but it covers a larger geographical  
21 area, and again what it mainly shows is the lack of  
22 consistent drilling in the immediate area of the well and  
23 our stepping out to the west as we develop the field.

24 I might add, in Section 1 of 25-3 is a well we  
25 tried to recomplete a number of years ago in the Mesaverde,

1 and it was never a commercial well.

2 Q. So you're moving towards a bad well?

3 A. Yes, we are.

4 Q. Okay. Do you believe there's a chance that you  
5 could drill a well at the proposed location that would not  
6 be a commercial success?

7 A. Yes, I do.

8 Q. Would you please for me turn to McElvain Exhibit  
9 Number 4, and attached to that there is an AFE.

10 A. Yes, sir.

11 Q. For the record, this is a letter that went out to  
12 all the interest owners for which we're seeking a pooling  
13 order today.

14 Has McElvain drilled other Mesaverde wells in the  
15 immediate area?

16 A. Yes, we have.

17 Q. And are the costs reflected on this AFE in line  
18 with what has been incurred by McElvain for the drilling of  
19 these wells?

20 A. Yes. I might add that we did this AFE back in  
21 March. Since that time we've had numerous price increases  
22 specifically on rig prices, bit prices and things like  
23 that, so I would consider this somewhat low at this  
24 particular time.

25 Q. Have you made an estimate of the overhead and

1 administrative costs while drilling this well and also  
2 while producing it, if it is a successful well?

3 A. Yes, I have.

4 Q. And what are those estimates?

5 A. My estimates are \$600 per month for a producing  
6 well and \$6000 per month for a drilling well.

7 Q. Are these overhead rates consistent with what  
8 have been charged for other wells in the area?

9 A. Yes, they are.

10 Q. Are you aware -- Has there been a recent order  
11 entered by the Division awarding this level of  
12 administrative and overhead costs?

13 A. Yes, this was awarded on Order Number R-11,657  
14 for a Dakota well in Section 11 on September 18th of 2001.

15 Q. And do you recommend that these figures be  
16 incorporated into any order that results from this hearing?

17 A. Yes, I do.

18 Q. And do you request that these rates be adjusted  
19 annually pursuant to the Section 3.1.A.3 of the COPAS form  
20 entitled "Accounting Procedure - Joint Operations"?

21 A. Yes, I do.

22 Q. Does McElvain Oil and Gas Properties, Inc., seek  
23 to be designated operated of the proposed well?

24 A. Yes, we do.

25 Q. And in your opinion, Mr. Steuble, will the

1 granting of this Application be in the best interests of  
2 conservation, the prevention of waste and the protection of  
3 correlative rights?

4 A. Yes.

5 Q. Were McElvain Exhibits 7 and 8 prepared by you or  
6 compiled under your direction and supervision?

7 A. Yes, they were.

8 MR. FELDEWERT: Mr. Examiner, at this time I  
9 would move the admission into evidence of McElvain Exhibits  
10 Numbers 7 and 8.

11 EXAMINER BROOKS: Objection?

12 MS. WALTA: (Shakes head)

13 EXAMINER BROOKS: McElvain 7 and 8 are admitted.

14 MR. FELDEWERT: And that concludes my  
15 examination of this witness at this time.

16 EXAMINER BROOKS: Ms. Walta?

17 CROSS-EXAMINATION

18 BY MS. WALTA:

19 Q. Mr. Steuble, did you do any analysis or  
20 computation of the period of payout for nonparticipating  
21 owners?

22 A. For nonparticipating owners?

23 Q. Owners in this well?

24 A. No, I have not.

25 Q. Did you do any analysis or computation of the

1 payout period for McElvain for its drilling and completion  
2 costs in the well?

3 A. Yes, I do reserve estimates on a company-wide  
4 basis twice a year and numerous times in between those two  
5 times a year. But yes, I have done the economic  
6 calculations.

7 Q. What did you conclude would be the payout period  
8 for McElvain's drilling and completion costs on this well?

9 MR. FELDEWERT: Mr. Examiner, I would -- I would  
10 object to the form of the question. I am concerned that we  
11 are getting into an area that is -- comprises proprietary  
12 commercial information. McElvain's payout in this existing  
13 well would not be, in any event, at issue in this pooling  
14 proceeding, and I don't see why we need to get into  
15 confidential reserve estimates or payout calculations that  
16 would have been studied, paid for and examined by McElvain.

17 MS. WALTA: Okay, I guess I understood that we  
18 were concerned in these proceedings with economic waste as  
19 well as waste of resources, and I'm going to discuss in a  
20 few moments here with Mr. Steuble, I hope, another proposal  
21 that was made for further development of these properties,  
22 and I think that it's certainly pertinent to the discussion  
23 what the relative economic considerations are of the  
24 various alternatives that are available for further testing  
25 and development of the Mesaverde formation in this 320-acre

1 area.

2 MR. FELDEWERT: Mr. Brooks, I'm not aware of any  
3 other pending proposal, either before this Division or that  
4 has been presented by any party that would be entitled to  
5 present a proposal. So I'm not sure what Ms. Walta is  
6 talking about when she says she has a competing proposal.  
7 Certainly there's no competing proposal before this  
8 Division against which to compare -- no competing pooling  
9 application against which to compare McElvain's proposal in  
10 this case.

11 EXAMINER BROOKS: Well, I think that's a correct  
12 observation. However, I think the estimated payout is  
13 probably relevant to the issue of the risk penalty, which  
14 is still something we consider in these proceedings, so  
15 I'll overrule the objection.

16 THE WITNESS: After all of that it's unfortunate,  
17 because I didn't bring any of that with me. And quite  
18 frankly, I would be very uncomfortable in trying to recall  
19 it from memory because I do so many throughout the year.

20 Q. (By Ms. Walta) So the answer is, you don't know  
21 right now?

22 A. No, the answer is, I know, I just don't have it  
23 with me.

24 Q. You need something to refresh your memory as to  
25 the answer?



1           A.    Yes.  Well, what I'd need is the economic run  
2   that I've done on this particular property.

3           Q.    You indicated -- Well, let me ask you, do you  
4   recall what the drilling cost per foot is under your  
5   proposal?

6           A.    No, but if I can get my calculator I can figure  
7   it out.

8           Q.    Okay, why don't you do that?

9           A.    At the time I did that, this particular well, I  
10   used \$23 per foot for drilling cost.

11          Q.    Now, your testimony as I understood it was that  
12   this cost, the cost of this well, was in line with the cost  
13   of other wells that McElvain has drilled and completed in  
14   the area; is that correct?

15          A.    That's correct.

16          Q.    Okay.  How does it compare to the drilling cost  
17   of other operators and other operations in the area?

18          A.    Well, quite frankly, there are no other operators  
19   or operations in this immediate area other than McElvain,  
20   so I guess it compares favorable.

21          Q.    You're saying there are no other operators of  
22   Mesaverde properties in the --

23          A.    Not activ- --

24          Q.    -- immediate area, other than McElvain?

25          A.    Not actively drilling, no.

1           Q.    Okay.  Are there any other wells that are drilled  
2           into any of the conventional gas-producing formations in  
3           the area?

4           A.    In this immediate area?

5           Q.    In the immediate area?

6           A.    No, ma'am.

7           Q.    So what your testimony is, that there are no  
8           other third-party operators by which a comparison could be  
9           made as to the relative drilling costs; is that correct?

10          A.    If you were going to compare them to another  
11          operator, that's correct.

12          Q.    Okay.  Is the same true for your  
13          overhead/administrative costs that you're proposing?

14          A.    No, I don't think the same is true there, because  
15          we are partners with many companies in the San Juan Basin,  
16          and our costs are in line, if not somewhat cheaper, than  
17          the other operators that charge us overhead.

18          Q.    In the area?

19          A.    In the San Juan Basin.  You have to realize that  
20          we are talking about a very specific southeastern flank of  
21          the Basin that nobody has drilled much in except Pictured  
22          Cliff wells, and those were drilled 10 to 15 years ago, so  
23          there's not been a lot of drilling activity in this area.

24                   I think some of these other wells were drilled in  
25          the mid-1980s, maybe, I'm trying to recall from memory.

1 But in this immediate area, that is -- I mean, we're it.

2 Now, concerning overhead rates, overhead rates  
3 pertain to every well in the San Juan Basin. And what I'm  
4 telling you is, our costs are in line or somewhat lower  
5 than other operators within the San Juan Basin, and that is  
6 a large geographical area.

7 Q. So the wells in this immediate area tend to be  
8 more shallow wells into the Pictured Cliffs; is that  
9 correct?

10 A. Well, there's a lot of Pictured Cliff wells to  
11 the south of us. There are some wells to the west of us  
12 that penetrate the deeper formations.

13 Q. Okay. Now, as I understood Ms. Binion's  
14 testimony, there is a well into the Mancos formation  
15 somewhere in the vicinity of your proposed well; is that  
16 correct?

17 A. In the same spacing unit?

18 Q. Well --

19 A. In the east half?

20 Q. In the east half --

21 A. Yes --

22 Q. -- of Section 5.

23 A. -- there is a well there.

24 Q. Okay, and the Mancos formation would be a deep  
25 formation?

1 A. Yes. It's deeper than the Mesaverde.

2 Q. Okay, so it would lie below the Mesaverde?

3 A. Uh-huh.

4 Q. And in acquiring its interests in the east half  
5 of Section 5, did McElvain acquire any ownership interests  
6 in the existing well drilled into the Mancos formation?

7 A. Being an engineer, I don't think I can answer  
8 that. I don't know.

9 Q. You don't know.

10 A. I don't know.

11 MS. WALTA: Okay. Could we mark this, Michael,  
12 as -- May I approach the witness?

13 EXAMINER BROOKS: You may.

14 (Off the record)

15 Q. (By Ms. Walta) Okay, I'm going to hand you  
16 what's been marked as Exhibit B and ask you as the engineer  
17 for McElvain whether you have ever seen that document  
18 before.

19 MR. FELDEWERT: Do you have another copy?

20 MS. WALTA: I don't believe so. Do you have that  
21 letter?

22 THE WITNESS: Yes, I've seen it last night.

23 Q. (By Ms. Walta) That's the first time you've seen  
24 it?

25 A. That's the first time I've seen it.

1 Q. Okay. What is the date of that letter?

2 A. August 14th, 2001.

3 Q. Okay. And can you tell you tell from looking at  
4 that letter whether it was sent to McElvain?

5 A. It says, see attached address list.

6 Q. Okay, could you look at the address list?

7 A. It says it was.

8 Q. Okay, what is that letter?

9 A. That's a letter sent out by Mr. Richard Altman  
10 from the company Richard Altman and Company, located in  
11 Denver, Colorado, proposing to recomplete the Prowler  
12 Number 2 well, which is the well in the Gavilan-Mancos,  
13 into the Mesaverde formation. And it also has an authority  
14 for expenditure attached to it and an election page to  
15 rework the well.

16 Q. Okay. And even though the date on that is August  
17 14th, your testimony is you did not see that until last  
18 evening, I believe?

19 A. That's my testimony.

20 Q. Okay. Do you know whether that document is a  
21 document that was received by McElvain? How did you happen  
22 to see it last evening?

23 A. I seen it as we were going over testimony for the  
24 hearing.

25 Q. Okay, was it your understanding that that

1 document is in the files and records of McElvain?

2 MR. FELDEWERT: We submit that that document was  
3 received by McElvain.

4 EXAMINER BROOKS: Okay.

5 MS. WALTA: All right. I would like to move the  
6 admission of this document.

7 EXAMINER BROOKS: Is this marked as Exhibit B?

8 MS. WALTA: B, I'd like to move the admission of  
9 Exhibit B.

10 EXAMINER BROOKS: Objections?

11 MR. FELDEWERT: Other than relevancy I have no  
12 objection.

13 EXAMINER BROOKS: Okay. Well, Noseco's Exhibit B  
14 is admitted.

15 Q. (By Ms. Walta) Mr. Steuble, what is the -- Let  
16 me strike that.

17 When you were contemplating doing something in  
18 the east half of Section 5 in terms of further developing  
19 the property, did McElvain give any consideration to  
20 perhaps re-entering the existing well into the Mancos and  
21 testing the Mesaverde and doing some sort of recompletion?

22 A. Yes.

23 Q. Okay. And what was the results of your  
24 consideration of that possibility?

25 A. From an engineering perspective, not being held

1 to what I'm going to say about the land issues, okay?

2 Q. Okay.

3 A. First off, we don't operate the well.

4 Second off, there's a large learning curve on how  
5 to complete the Mesaverde in this area, so we want to  
6 operate the wells because we feel we have progressed on  
7 that learning curve, where somebody else wouldn't.

8 And third, I don't believe, when we talked about  
9 it, that we have any contractual agreements that we could  
10 go in and recomplete the well. I believe the -- and again,  
11 this is not me examining the files but me being in meetings  
12 -- the operating agreement we had on that well, okay, was  
13 limited to the Gavilan-Mancos, and that took 100-percent  
14 concurrence to move up.

15 Well, because we're not operators -- and at that  
16 time I don't know if we even had an interest in the well.  
17 I don't -- Today I don't know if we have an interest. But  
18 we looked at it and dismissed that as an unattainable goal.  
19 The other goal is to drill the well.

20 Q. You do agree, or perhaps this is outside your  
21 area of expertise, you do agree, do you not, that as a  
22 working interest owner in the property, you could have made  
23 a proposal for a project which would have involved the  
24 testing and recompletion uphole of the Mesaverde?

25 MR. FELDEWERT: I'll object, Mr. Steuble is an

1 engineer; he's not an attorney, he's not a landman. I  
2 don't -- I think it would be nothing but speculation.

3 MS. WALTA: Okay, are you able to --

4 EXAMINER BROOKS: I would sustain that objection  
5 because I don't believe that the qualifications with which  
6 he's been admitted as an expert would extend to expressing  
7 an opinion on the rights of a working interest owner.

8 Q. (By Ms. Walta) Okay. Well, let me ask you this,  
9 because it sounds as if you can answer this question. Is  
10 your testimony that the primary reason that McElvain did  
11 not consider a project of uphole completion in the existing  
12 Prowler well was because McElvain could not operate that  
13 well?

14 A. Could you rephrase -- ask me that again?

15 Q. Okay, if I understand your testimony, it is that  
16 the primary reason that McElvain did not consider an uphole  
17 completion and testing of the Mesaverde formation in the  
18 existing Prowler well is because it would not be able to be  
19 the operator of the well?

20 A. No, ma'am, I said that was a consideration.

21 Q. Were there any considerations that related to any  
22 of the engineering or reserve factors that one considers in  
23 developing a property?

24 A. Yes.

25 Q. And what were those?



1           A.    The first one that comes to mind is, we don't  
2 know if there's cement across the Mesaverde zone. We don't  
3 know how this was cemented. Anytime you enter an old  
4 wellbore you're putting yourself at risk to lose the  
5 wellbore. From an engineering perspective, it's much  
6 easier to work with new pipe and new cement and have a  
7 better chance of success, making a positive completion on a  
8 well, rather than re-entering the wellbore. Yes, that's a  
9 consideration.

10           The other consideration is how long it's going to  
11 take to put everybody -- to get all the parties to agree.  
12 And when we're trying to develop a field here, if we know  
13 -- I'll shut up.

14           MR. FELDEWERT: No, I --

15           THE WITNESS: Huh?

16           MR. FELDEWERT: No, that was --

17           THE WITNESS: No, I'm losing my temper here,  
18 so...

19           Q.    (By Ms. Walta) So time was a factor?

20           A.    Time was a factor.

21           Q.    Okay.

22           A.    But what age is the pipe? Who bought the pipe?  
23 What grade is the pipe? Is the pipe cemented? I don't  
24 know. Those all cost money to go find out.

25           Q.    Did you make inquiry of NM&O, the operator at the

1 time, to try to ascertain the answers to any of those  
2 questions?

3 A. I believe we went to the files in Aztec and dug  
4 out as much information as we could, and we looked at that.

5 Q. And did you find any information in those  
6 files --

7 A. Yes.

8 Q. -- that caused you to conclude that there may be  
9 some sort of drilling or production-type problems that  
10 would prevent the re-entry and testing and recompletion of  
11 the Mesaverde formation in the existing wellbore?

12 A. I'll give you an example that maybe you can  
13 understand. And old well, there's always risk of losing  
14 the entire well. Anytime you re-enter an old well, there's  
15 an unknown risk out there because you don't have good,  
16 accurate records of what the pipe was. Was it used pipe,  
17 was it new pipe? All these things get lost. And I'm very  
18 reluctant to go into any well, any old well, and try to  
19 make a recompletion.

20 So yes, there's engineering considerations, and  
21 yes, we went to the records in Aztec and looked. But that  
22 being an old well, combined with -- it's currently a  
23 producing well. We talked to NM&O, and I believe they told  
24 us it was an economic well. So are you going to sacrifice  
25 the existing production and have 100 percent of the working

1 interest sacrifice what they have now for something that  
2 they may get? I don't know. Yeah, we considered all that.

3 Q. Did you determine for yourself whether the well  
4 was an economic well? Or did you simply ask NM&O and --

5 A. No, I think I ran a decline curve on it.

6 Q. Did you look at any of the current production  
7 figures for any period of time?

8 A. Well, all we have access to is what's on the  
9 *Dwight's* and ONGARD, so we went and dug out whatever has  
10 been reported up until the time I looked at it, yes.

11 Q. And did you get any information from NM&O about  
12 its operating costs on that property?

13 A. I can't remember if we did or not.

14 Q. Did you get any information from NM&O about the  
15 sales and revenues from the production from that project?

16 A. No, I know I didn't get that.

17 Q. But you do agree that in order to know whether it  
18 was economic you would have to know what they were able to  
19 sell the production for and what the offsetting operational  
20 costs were? In other words, you would need to know whether  
21 the production was turning a profit, wouldn't you?

22 A. Not necessarily, but -- I mean, we knew what ours  
23 cost.

24 Q. Did you consider any other alternatives for  
25 developing the property, other than the proposal which is

1 the subject of the pending Application?

2 A. I guess I don't know. I would say no. I don't  
3 understand the question.

4 Q. As I understand it, the drilling of the well that  
5 is currently proposed, is that mud-drilling or is it air-  
6 drilling?

7 A. This is air-drilling.

8 Q. Okay. Is there any significant cost differential  
9 between mud-drilling and air-drilling?

10 A. Typically mud-drilling is more expensive.

11 Q. So if you were mud-drilling, the AFE cost would  
12 be higher; is that correct?

13 A. Yes, I believe so.

14 Q. When you were considering the possibility of re-  
15 entering and recompleting the Prowler into the Mesaverde,  
16 did you come up with any costs related to that project?

17 A. Yes, I looked at them.

18 Q. Okay, and do you recall what your costs were?

19 A. My costs were about half of what it would cost to  
20 drill a new well, approximately.

21 Q. Half of the cost of --

22 A. Of your new well.

23 Q. -- your proposed well now?

24 A. Yes.

25 Q. Okay. And did you -- When you reviewed the

1 document that is Exhibit B, did you note the proposed  
2 costs --

3 A. Yes, ma'am, I did.

4 Q. -- of the project? And what are they?

5 A. What are they?

6 Q. Yes.

7 A. They're \$117,000 total cost.

8 Q. Is there anything that you see on that AFE which  
9 you believe is not realistic in terms of the proposed cost  
10 for that retesting and recompletion?

11 MR. FELDEWERT: Mr. Examiner, I'm going to at  
12 this point object. We've been going on for about 15  
13 minutes on a proposal, what Ms. Walta terms a competing  
14 proposal, that is not before the Division. It's not been,  
15 to my knowledge, presented to any of the parties in a  
16 proper fashion, so I guess I question how long we're going  
17 to continue to compare McElvain's pooling Application with  
18 a proposal that is not properly before the Division.

19 MS. WALTA: Well, it's only not properly before  
20 the Division if it is a proposal that needs to be before  
21 the Division. If it is a proposal that is made pursuant to  
22 the terms of an existing operating agreement, I don't  
23 believe that it needs to be submitted to the Division for  
24 approval; it simply needs to be submitted to the working  
25 interest owners in conformity with the terms of the

1 operating agreement, and the terms of the operating  
2 agreement would determine what sort of approval needed to  
3 be had, and it also would determine the conditions under  
4 which the project would go forward.

5 So it kind of assumes that this operating  
6 agreement is not in place, and I don't think we've got any  
7 decision about that --

8 MR. FELDEWERT: Well, I would --

9 MS. WALTA: -- but it certainly exists.

10 MR. FELDEWERT: Well, I would state that it  
11 assumes that there is an operating agreement that is in  
12 place, and there's absolutely no evidence in the record to  
13 indicate that there's an operating agreement that covers  
14 the Mesaverde formation in the east half of Section 5. In  
15 fact, the testimony is just the opposite.

16 So if we don't have a voluntary agreement, the  
17 only proposal -- the only option available is pooling, and  
18 the only pooling Application before the Division is the one  
19 that McElvain has.

20 EXAMINER BROOKS: I believe that's correct, and I  
21 also believe that if there is an operating agreement, if  
22 there's a proposal under an operating agreement, there's  
23 nothing the Division needs to be concerned with, so I will  
24 sustain the objection.

25 MS. WALTA: I do not have any further questions.

1 EXAMINER BROOKS: Mr. Feldewert?

2 MR. FELDEWERT: I have no questions.

3 EXAMINATION

4 BY EXAMINER BROOKS:

5 Q. Is this -- I've been asking everybody pool names  
6 today. Is this just Basin-Mesaverde, just like Basin-  
7 Dakota or --

8 A. No, it's Blanco-Mesaverde.

9 EXAMINER BROOKS: Blanco-Mesaverde, okay. I  
10 thought I'd heard that name somewhere, but then I thought  
11 maybe I was saying it wrong.

12 Okay, I don't believe I have any further  
13 questions of this witness. You may step down, unless you  
14 have some questions, Mr. Stogner?

15 EXAMINER STOGNER: (Shakes head)

16 EXAMINER BROOKS: Okay, you may stand down.

17 MR. FELDEWERT: Mr. Examiner, that concludes our  
18 presentation.

19 EXAMINER BROOKS: Okay, Ms. Walta?

20 MS. WALTA: Okay, I just will call Mr. Hansen for  
21 the purpose of identifying the operating agreement --

22 EXAMINER BROOKS: Okay.

23 MS. WALTA: -- that we've been talking about,  
24 that we don't seem to have in the record, yet.

25 EXAMINER BROOKS: Okay, Mr. Hansen has not been

1       sworn, so --

2               MS. WALTA:   Okay.

3               EXAMINER BROOKS:  -- will you state your name for  
4       the record, please?

5               MR. HANSEN:   Harold M. Hansen, H-a-n-s-e-n.

6               (Thereupon, the witness was sworn.)

7               EXAMINER BROOKS:  Okay, if you'll take the  
8       witness stand, please.

9               MS. WALTA:   What happened to the exhibits?

10              EXAMINER BROOKS:  I believe -- Do you have them,  
11       Mr. Feldewert, there on your table?

12              MR. FELDEWERT:  Oh, I'm sorry.

13              EXAMINER BROOKS:  Last witness took it.  Well,  
14       I'm reasonably certain it hasn't left the room.

15              MR. FELDEWERT:  I have an extra set.

16              EXAMINER BROOKS:  We were talking about the  
17       Noseco Exhibit A.

18              MR. FELDEWERT:  And I have the copy of the  
19       operating agreement.

20              EXAMINER BROOKS:  Of which there is only one  
21       copy, okay.

22              MR. FELDEWERT:  Correct.

23              EXAMINER BROOKS:  Okay.

24              MR. FELDEWERT:  With your permission, may I also  
25       follow along --



1 EXAMINER BROOKS: You may.

2 MR. FELDEWERT: -- as the questions are asked?

3 Thank you.

4 EXAMINER BROOKS: You may proceed, Ms. Walta.

5 MS. WALTA: Thank you.

6 HAROLD M. HANSEN,

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

9 DIRECT EXAMINATION

10 BY MS. WALTA:

11 Q. Mr. Hansen, would you state your full name and  
12 address for the record, please?

13 A. Harold M. Hansen, 7400 Lakeside Drive, that's  
14 Reno, Nevada, 89511.

15 Q. Okay. And Mr. Hansen, do you have a connection  
16 with any of the parties who are the working interest owners  
17 in the east half of Section 5?

18 A. Yes.

19 Q. And what is your connection?

20 A. We have the parties and myself, say Peter Neumann  
21 Family Trust, have a majority interest in the entire  
22 section, the entire half-section.

23 Q. Okay. Now, I do not see anywhere on the exhibit  
24 that the Applicant prepared that shows the various  
25 ownerships in these leases, I don't see the name Harold

1 Hansen anywhere. Can you --

2 A. Noseco Corporation, excuse me.

3 Q. Okay. And what is your relationship to Noseco  
4 Corporation?

5 A. I'm the president.

6 Q. I'd like you to -- If you would find in front of  
7 you Exhibit A, which is an operating agreement --

8 A. Yes.

9 Q. -- you brought some of your own files and records  
10 today --

11 A. Yes.

12 Q. -- the files and records of Noseco, to this  
13 hearing; is that correct?

14 A. Yes.

15 MS. WALTA: Okay. I'd like to approach the  
16 witness with a document out of --

17 EXAMINER BROOKS: You may.

18 MS. WALTA: -- Noseco's files here so that he can  
19 compare these for us.

20 Q. (By Ms. Walta) This document is on yellow paper,  
21 and is that document out of the files and records of Noseco  
22 that you brought to the hearing today?

23 A. Yes, it is. It's -- The operating agreement was  
24 originally -- it's dated August 12th, 1986, and then it was  
25 revised sometime in 1988.

1 Q. Okay. And what is it your understanding that  
2 that operating agreement covers?

3 A. It covers --

4 MR. FELDEWERT: Objection, Mr. Examiner, I don't  
5 think Mr. Hansen has been qualified as an expert witness in  
6 petroleum land matters, he hasn't given any indication that  
7 he has the background, educational background and  
8 experience necessary to interpret and understand a joint  
9 operating agreement.

10 MS. WALTA: Well, Mr. Examiner, he is the owner  
11 of the interest. You would hope he would understand the  
12 documents that relate to his working interest ownership. I  
13 don't think he's here to give expert testimony --

14 THE WITNESS: I don't have to be an expert --

15 EXAMINER BROOKS: Excuse me, Mr. Hansen --

16 THE WITNESS: -- to read --

17 MS. WALTA: I don't think he needs to be an  
18 expert to testify about the documents that he believes that  
19 his working interest is subject to, that's not a --

20 EXAMINER BROOKS: Well, I would assume the  
21 document speaks for itself. If he wants to testify that  
22 there's some kind of understanding or oral agreement that's  
23 other than what's in the document, that's fine, but -- I  
24 mean, he can testify to it for whatever it's worth, but I  
25 think the document speaks for itself. Certainly, you know,

1 the Division can read the document and give it its own  
2 interpretation --

3 MS. WALTA: Well, that's fair enough, I'm just  
4 trying to get the document into evidence.

5 EXAMINER BROOKS: Okay, I'll sustain the  
6 objection, go ahead.

7 MS. WALTA: We can certainly do that.

8 Q. (By Ms. Walta) Mr. Hansen, the yellow document  
9 you have --

10 A. Yes.

11 Q. -- in front of you, did that come out of the  
12 files and the records of Noseco that you brought with you  
13 today --

14 A. Yes.

15 Q. -- to this hearing? Okay.

16 What I would like you to do is compare it to the  
17 document that is Exhibit B.

18 EXAMINER BROOKS: I believe it's Exhibit A.

19 Q. (By Ms. Walta) Or, I'm sorry, Exhibit A, that  
20 has been marked Exhibit A at this hearing.

21 A. Is this it?

22 Q. No, it's that document.

23 A. It's just a copy, except it's yellow.

24 Q. Okay, just double-check and make sure it's the  
25 same.

1           A.     It's the same document.

2           MS. WALTA: I would like to move the admission of  
3 Exhibit A.

4           EXAMINER BROOKS: Mr. Feldewert?

5           MR. FELDEWERT: No objection.

6           EXAMINER BROOKS: Noseco Exhibit A is admitted.

7           MS. WALTA: No further questions.

8           EXAMINER BROOKS: Mr. Feldewert?

9           MR. FELDEWERT: I have no questions.

10          EXAMINER BROOKS: Very good, the witness may  
11 stand down.

12          And it's getting late in the afternoon -- Well,  
13 does that conclude your presentation?

14          MS. WALTA: That concludes my --

15          EXAMINER BROOKS: It's getting late in the  
16 afternoon, and I was -- make sure this got in the record on  
17 some previous McElvain cases, but I wasn't really alert  
18 about it in this point, in this case.

19          This Application was filed by -- the application  
20 -- the Applicant is McElvain Oil and Gas Properties, Inc.,  
21 and the evidence reflects the ownership interest by T.H.  
22 McElvain Oil and Gas Limited Partnership, and I'm not  
23 sure -- I don't recall if Ms. Binion testified to the  
24 relationship between McElvain Oil and Gas Properties, Inc.,  
25 and T.H. McElvain Oil and Gas Limited Partnership. If

1 you'll represent to me that that's in the record, well, I  
2 won't worry about it any further, but -- it'll be in the  
3 transcript, but I don't recall -- I overlooked --

4 MR. FELDEWERT: Mr. Examiner, I know that we have  
5 dealt with that issue in other pooling cases, and the  
6 testimony has been that McElvain Oil and Gas Properties,  
7 Inc., is the operating division of T.H. McElvain, Ltd.

8 EXAMINER BROOKS: Yes, and in other cases I have  
9 specifically raised the question that McElvain Oil and Gas  
10 Properties, Inc. -- Well, let me recall Ms. Binion briefly  
11 for the purpose of -- because I want to be sure the record  
12 is clear on this.

13 MONA L. BINION (Recalled),  
14 the witness herein, having been previously duly sworn upon  
15 her oath, was examined and testified as follows:

16 EXAMINATION

17 BY EXAMINER BROOKS:

18 Q. Would you state for the record, please, Ms.  
19 Binion, what is the relationship between McElvain Oil and  
20 Gas Properties, Inc., and T.H. McElvain Oil and Gas Limited  
21 Partnership?

22 A. McElvain Oil and Gas Properties, Inc., is the  
23 sole general partner of T.H. McElvain Oil and Gas Limited  
24 Partnership and operates and manages all the properties in  
25 their behalf.

1 Q. Okay, and in filing this Application, did  
2 McElvain Oil and Gas Properties, Inc., act as the agent of  
3 T.H. McElvain Oil and Gas Limited partnership?

4 A. They acted as agent and general partner and  
5 operator for T.H. McElvain Oil and Gas Limited Partnership.

6 Q. All right, so the request that this may be  
7 regarded as an Application filed by T.H. -- by McElvain Oil  
8 and Gas Properties, Inc., on behalf of T.H. -- I'm sorry,  
9 on behalf of T.H. McElvain Oil and Gas Limited Partnership,  
10 correct?

11 A. Yes, sir.

12 Q. And it is the request of McElvain Oil and Gas  
13 Properties, Inc., as general partner and agent for T.H.  
14 McElvain Oil and Gas Limited Partnership that McElvain Oil  
15 and Gas Properties, Inc., be named as the operator of this  
16 unit; is that correct?

17 A. Yes, sir.

18 EXAMINER BROOKS: Okay, I think I've made my  
19 record now.

20 THE WITNESS: I'll get that entered early, the  
21 next one.

22 EXAMINER BROOKS: Anybody has any further  
23 questions of this witness before we wrap up?

24 MS. WALTA: No.

25 MR. FELDEWERT: (Shakes head)

1 EXAMINER BROOKS: Okay, you may stand down.

2 Argument?

3 MR. FELDEWERT: Briefly, Mr. Examiner. McElvain  
4 has complied with all of the requirements that are set  
5 forth in the statute for a pooling order in this case. The  
6 statute, as I know we have addressed in the past, Section  
7 70-2-17.C, is very explicit that once an interest owner has  
8 complied with the provisions of the statute, the Division  
9 shall pool the interests.

10 There are no competing pooling Applications  
11 before the Division, there is no evidence that there is a  
12 voluntary agreement that covers the properties at issue.  
13 In fact, the evidence in the record is just the opposite.  
14 There's been no testimony that what has been marked as  
15 Exhibit Number A is -- There's been no testimony that any  
16 action has been taken under what has been marked as Exhibit  
17 Number A. And as I look through Exhibit Number A, Mr.  
18 Examiner, you see the first page says the acreage covered  
19 is specifically outlined in Exhibit A.

20 And as I turn to Exhibit Number A, "Interest of  
21 the Parties to this Agreement", it says except the east  
22 half of Section 5, 25 North, 2 West, see Exhibit "AA". So  
23 this operating agreement specifically excludes, as I read  
24 it, the east half of Section 5, 25 North, 2 West.

25 So my point is, there's no evidence in the record



1 that there's any voluntary agreement under which any  
2 proposal can be made pursuant to a joint operating  
3 agreement, there's no evidence in the record that a  
4 proposal has been properly made pursuant to any unknown  
5 operating agreement. The only thing the Division has  
6 before it is a properly -- or a pooling application that  
7 complies with the provisions of the statute.

8 EXAMINER BROOKS: Okay. Ms. Walta?

9 MS. WALTA: Okay. Well, I have already stated  
10 the position of my clients that there is an operating  
11 agreement in place that covers the east half of Section 5  
12 and that this agency does not have any jurisdiction to hear  
13 this Application, that if any further development of this  
14 property occurs, that it should occur pursuant to this  
15 operating agreement.

16 I'm confident, now that this operating agreement  
17 is in the record, that you will review it, and Mr.  
18 Feldewert's selective reading of it is just simply  
19 incorrect when the document is read in its entirety.

20 Additionally, I would remind the agency that  
21 there is litigation pending with respect to the rights --  
22 the relative rights of the parties in these properties.  
23 There is -- If the agency decides to go forward and make a  
24 ruling on this Application and in fact does grant it, I  
25 would request, because of the pending litigation, that

1 there be a special care taken with respect to any orders  
2 that are entered and that the OCD does make clear that it  
3 does not intend in any way to affect the rights of the  
4 parties in the litigation or to in any way rule on any  
5 issue or claim in the case or otherwise have any preclusive  
6 effect with respect to what is before the district court.

7 I believe that the complaint in that case is  
8 already in the record, I believe we attached it to our  
9 response, so you do have the benefit of that complaint and  
10 the agreement that is in dispute when you go to review the  
11 record.

12 MR. FELDEWERT: Mr. Examiner, just briefly, I  
13 need to point out two things.

14 One, there was an effort by this party to enjoin  
15 the Division from properly proceeding under the statutory  
16 pooling proceedings. That effort to get an injunction in  
17 district court was denied.

18 Secondly, there is no reason to depart from the  
19 Division's customary and common course of entertaining  
20 pooling applications in issuing the appropriate order. The  
21 fact that there is pending litigation over whether or not  
22 these parties had entered into a farmout agreement is not  
23 an issue that the Division needs to be concerned with and  
24 does not justify any special pooling order being entered in  
25 this case.

1           And finally, this matter was initially -- We  
2       filed this pooling Application sometime in the spring, I  
3       believe, or -- no, early summer. This was set for hearing  
4       two months ago. There has been a delay in the entry of an  
5       order, because they represented that they were going to  
6       come before the Division with an alternative proposal; they  
7       have not done that.

8           We have sat around for two months, waiting for  
9       this case to be heard by the Division. There is no reason  
10      to delay this matter any further, and we ask the Division  
11      act pursuant to its standard procedures and issue an order  
12      as quickly as possible.

13           MS. WALTA: I would like to read one thing into  
14      the record, since Mr. Feldewert brought it up, and also  
15      make one correction with respect to what Mr. Feldewert just  
16      told you about the proceedings in the district court.

17           He indicated to you that we had filed and  
18      application for a preliminary injunction and it had been  
19      denied. Well, that is not quite an accurate reflection of  
20      what went on.

21           We began the proceeding, and as we did, got into  
22      the Application for the preliminary injunction, Judge Hall,  
23      District Court Judge Hall, indicated that he believed that  
24      perhaps it was premature to be bringing this Application in  
25      the court because perhaps there was some remedy available

1 from the OCD, and he suggested that we ought to come over  
2 and speak to you about perhaps getting some sort of  
3 injunctive relief.

4 So his suggestion to you that the district court  
5 considered all the facts related to what is going on here  
6 and decided to deny the motion for preliminary injunction  
7 is simply incorrect, and we at any point in time here, I'm  
8 certain, can go back and revisit this with the district  
9 court.

10 Also, I would like to read into the record a  
11 letter that Mr. Feldewert sent to not only Mr. Hansen but  
12 Mr. Altman, who had prepared the proposal for the re-entry  
13 and re-testing of the Prowler, and this was sent,  
14 obviously, on behalf of McElvain. It states:

15  
16 McElvain is in receipt of Noseco's August 10  
17 letter purporting to remove NM&O as operator of the  
18 above-referenced well in favor of Richard Altman and  
19 Company or its subcontractor, Falcon Petroleum as  
20 successor operator, and Richard Altman's August 14th  
21 letter proposing to abandon the existing producing  
22 zone in favor of recompletion efforts in the Mesaverde  
23 formation. Please be advised that Noseco's attempt to  
24 remove NM&O as operator of the subject well is in  
25 valid under the terms of the operating agreement

1 covering the property. In addition, Richard Altman  
2 and Company and its subcontractor Falcon Petroleum  
3 have no right or authority to propose any recompletion  
4 efforts in the Prowler Federal Number 2 well or to  
5 undertake any efforts to operate that well.

6  
7 I would submit to you that that is the  
8 explanation of why we do not have someone here giving  
9 testimony about the benefits of some alternate proposal.

10 Mr. Feldewert and his client and then  
11 subsequently NM&O, the ousted operator, have all made  
12 threats, both to my clients and to Mr. Altman, who is the  
13 successor operator, that they dare not proceed with any  
14 recompletion of the existing well, or they may be in some  
15 legal difficulty.

16 EXAMINER BROOKS: Well, whatever Judge Hall may  
17 have said or not said, I'm sure that if he were to enter an  
18 order and it were to be served upon the Division, we would  
19 abide by it. So in the absence of such order --

20 MS. WALTA: You would do what?

21 EXAMINER BROOKS: We would abide by it.

22 MS. WALTA: Oh, that's nice to know.

23 EXAMINER BROOKS: In the absence of such an  
24 order --

25 MS. WALTA: I wasn't so sure about that,

1 actually. I'll let him know.

2 EXAMINER BROOKS: -- Case Number 12,693 will be  
3 taken under advisement.

4 MR. FELDEWERT: Thank you.

5 MS. WALTA: Thank you.

6 EXAMINER BROOKS: Okay, we stand adjourned.

7 (Thereupon, these proceedings were concluded at  
8 5:48 p.m.)

9 \* \* \*

10  
11  
12  
13 I do hereby certify that the foregoing is  
14 a true and correct copy of the proceedings of  
the hearing of Case No. \_\_\_\_\_,  
15 heard by me on \_\_\_\_\_ 19\_\_\_\_.

16 \_\_\_\_\_, Secretary  
17 of the Conservation Division

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 September 24th, 2001.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 2002