

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 NOS. 10274, 10275
APPLICATION OF MARALEX RESOURCES,) 10276 (Consolidated)
INC., FOR COMPULSORY POOLING,)
SAN JUAN COUNTY, NEW MEXICO)
)
)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 21, 1991
2:05 p.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil
Conservation Division on March 21, 1991, at 2:05 p.m.
at Oil Conservation Division Conference Room, State Land
Office Building, 310 Old Santa Fe Trail, Santa Fe, New
Mexico, before Paula Wegeforth, Certified Court Reporter
No. 264, for the State of New Mexico.

FOR: OIL CONSERVATION BY: PAULA WEGEFORTH
DIVISION Certified Court Reporter
CSR No. 264

I N D E X

March 21, 1991

Examiner Hearing

CASE NOS. 10274, 10275 and 10276

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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT: HINKLE, COX, EATON, COFFIELD
& HENSLEY
Attorneys at Law
BY: JAMES BRUCE, ESQ.
218 Montezuma Street
Santa Fe, New Mexico 87501

FOR ELLIOTT A. RIGGS: KELLAHIN, KELLAHIN & AUBREY
Attorneys at Law
BY: W. THOMAS KELLAHIN, ESQ.
Santa Fe, New Mexico 87501

IN PROPRIA PERSONA: MR. AND MRS. NORMAN GILBRETH

* * *

1 EXAMINER STOGNER: Call next cases, Consolidated
2 10274, 10275 and 10276.

3 MR. STOVALL: The cases are consolidated at the
4 request of the application, and they are the applications
5 of Maralex Resources, Inc., for compulsory pooling in
6 San Juan County, New Mexico.

7 EXAMINER STOGNER: Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce from the Hinkle
9 law firm, representing the applicant. I have two witnesses
10 to be sworn.

11 EXAMINER STOGNER: Any other appearances?

12 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the
13 Santa Fe law firm of Kellahin, Kellahin & Aubrey. I'm
14 appearing on behalf of Elliott A. Riggs in Case No. 10274.

15 MRS. GILBRETH: Norman should be here.

16 MR. STOVALL: Why don't you go ahead and just enter
17 his -- just state what you --

18 MRS. GILBRETH: All right. It will be for the last
19 two with -- the numbers are there.

20 MR. BRUCE: 10275 and 10276.

21 MRS. GILBRETH: Norman Gilbreth, G-i-l-b-r-e-t-h.

22 MR. STOVALL: He is appearing on his own behalf with
23 respect to his own interest.

24 MRS. GILBRETH: Yes.

25 MR. STOVALL: His and yours, that is.

1 MRS. GILBRETH: Yes.

2 EXAMINER STOGNER: Are there any other appearances?

3 Mr. Kellahin, do you have any witnesses?

4 MR. KELLAHIN: No, sir.

5 (Whereupon the witnesses were duly sworn.)

6 EXAMINER STOGNER: Mr. Bruce.

7 Mr. Kellahin, is there any need for opening remarks or
8 should we just --

9 MR. KELLAHIN: Jump in.

10 EXAMINER STOGNER: -- jump in?

11 MR. BRUCE: Just plunge ahead.

12 EXAMINER STOGNER: Okay. We'll plunge ahead.

13 Mr. Bruce.

14 JENNIFER RITCHER,

15 the Witness herein, having been first duly sworn, was
16 examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Will you please state your name for the record?

20 A. My name is Jennifer Ritcher.

21 Q. And what is your occupation?

22 A. I'm a petroleum landman.

23 Q. Where do you reside?

24 A. I reside in Denver, Colorado.

25 Q. And who do you work for?

1 A. Maralex Resources.

2 Q. Have you previously testified before the OCD as
3 a petroleum landman?

4 A. No.

5 Q. Would you please briefly outline your
6 educational and professional background?

7 A. I attended the University of Colorado at Denver
8 and received a bachelor's degree in minerals land
9 management in 1980. Shortly thereafter I worked for
10 Santa Fe Energy Company as a landman for five years. After
11 Santa Fe, I worked for National Cooperative Refinery
12 Association as a landman for five years, and most recently
13 I am working as a landman for Maralex Resources. I've been
14 with Maralex for two months.

15 Q. Are you familiar with the land matters involved
16 in these three cases?

17 A. Yes.

18 MR. BRUCE: Mr. Examiner, I tender the witness as an
19 expert landman.

20 EXAMINER STOGNER: She is so qualified.

21 Q. (By Mr. Bruce) Briefly, Miss Ritcher, could you
22 state what Maralex seeks in each case?

23 A. Maralex seeks orders pooling all mineral
24 interests in the Basin Fruitland Coal Gas Pool for three
25 different proposed wells. In Case No. 10274 we seek to

1 pool all interests in Lots 1, 2, the east half of the
2 northeast quarter and the northeast quarter of Section 18,
3 Township 30 north, Range 11 west.

4 In Case No. 10275 we seek to pool all interests
5 in Lots 1, 2, the east half of the northeast quarter and
6 the northeast quarter of Section 19, Township 30 north,
7 Range 11 west.

8 MR. STOVALL: Can we stop and check these
9 descriptions, checking against this?

10 MR. BRUCE: Sure.

11 MR. STOVALL: I'm not sure. One of us may be reading
12 them incorrectly.

13 Let's go back to case 10274. What are you seeking to
14 force pool?

15 THE WITNESS: Okay. That would be Lots 1 and 2, which
16 is the west half of the northeast quarter. Also the east
17 half of the northeast quarter.

18 MR. BRUCE: That should be north --

19 MR. STOVALL: All right. This is advertised as Lots 1
20 and 2, northeast quarter and east half northwest quarter.

21 THE WITNESS: Oh, okay.

22 Q. (By Mr. Bruce) Lots 1 and 2 would be the west
23 half of the northwest quarter, would they not?

24 A. Yes, that's right.

25 Q. And then plus the east half of the northwest

1 quarter?

2 A. Uh-huh.

3 MR. STOVALL: Plus the northeast quarter?

4 THE WITNESS: Right. Right.

5 MR. STOVALL: Correct?

6 THE WITNESS: Yeah, I see what you're saying. Okay.

7 Okay. Are we -- so do we need to -- you've got
8 10275.

9 MR. STOVALL: I think 10274 is okay. That's
10 Section 18.

11 THE WITNESS: Okay. Yeah. 10275, which is basically
12 the north half of Section 19, 30 north, 11 west; and 10276,
13 which is the east half of Section 24, Township 30 north,
14 Range 12 west, San Juan County, New Mexico.

15 Q. (By Mr. Bruce) And now would you please refer
16 to Exhibits 1-A through 1-C -- let's take 1-A first of
17 all -- and would you please briefly describe that for the
18 examiner?

19 A. Exhibit 1-A is a land plat showing the ownership
20 in the north half of Section 18. It shows the proposed
21 location of the well and the proposed spacing unit along
22 with the ownership within the spacing unit.

23 Q. And this would be for case 10274; is that
24 correct?

25 A. Correct.

1 Q. And this little dot in the southwest quarter of
2 the -- or, excuse me. In the northeast quarter of the
3 northeast quarter there's a little circle. Would that
4 indicate the existing well on that unit?

5 A. Yes.

6 Q. Let's move on to Exhibit 1-B, then.

7 A. Okay. Exhibit 1-B is a land plat, again showing
8 the proposed location, located approximately in the
9 southeast of the northeast quarter of Section 19. It shows
10 the 320-acre units to be pooled and again the ownership
11 within that unit for Section 19 in the north half,
12 Case No. 10275.

13 Q. And then move on to Exhibit 1-C and describe
14 that for the examiner.

15 A. Exhibit 1-C is a land plat, again showing the
16 proposed spacing unit for the well. The well is located in
17 the southeast of the northeast quarter of Section 24.

18 This map also shows ownership -- working
19 interest ownership within the spacing unit covering the
20 east half of Section 24. This is Case 10276.

21 Q. Now, regarding case 10274, north half of
22 Section 18, would you please refer to Exhibit 2 and
23 identify the interest owners again in the north half of
24 Section 18 whom you seek to force pool and what the status
25 briefly of your negotiations with those interest owners

1 are.

2 A. Okay. If you will take Exhibit 2 -- and I'm
3 going to use that also to discuss Exhibit 3.

4 Q. Okay. Then also refer to Exhibit 3, then.

5 A. Exhibit 3 is a packet of correspondence that has
6 been sent to all the owners in the north half of 18.

7 Exhibit 2 lists the parties that we wish to
8 force pool in the north half of 18, along with the current
9 status of our negotiations with these parties.

10 Beginning at the top of Exhibit 2 -- and then if
11 you want to refer to Exhibit 3, they are in order according
12 to the parties listed in 2, Exhibit 2. And they are
13 also -- if there's -- if there's been several letters sent
14 to these parties, the most recent correspondence is found
15 on the top.

16 So beginning with the Seventh Day Adventist
17 letter right on top, dated February 21st, prior to that
18 correspondence, we've made numerous telephone calls to them
19 requesting that they lease to Maralex. To date we have not
20 received a response.

21 Jay Burnham, which is the second party we wish
22 to force pool, second letter, February 6th, again numerous
23 phone conversations with Mr. Burnham, and their most recent
24 correspondence was February 6th, and to date no response.

25 Vern A. Oertle estate has agreed to farm out to

1 Maralex, so we do not -- we're not including them in the
2 forced pooling.

3 C.B. Martin, care of Bernice Martin Taylor: A
4 letter was sent May 23rd, 1990. This was a proposal
5 requesting that they either farm out, participate or sell
6 their interest in the proposed spacing unit, and to date we
7 have received no response.

8 The Luke House estate: We have been unable to
9 find an address for him. We sent notification to Luke
10 House previously, and this was submitted under the prior
11 spacing application, which was Order No. 9356.

12 Q. Let's stop for a minute at that.

13 You refer to Order R-9356. Was that a forced
14 pooling order?

15 A. Yes, it was.

16 Q. Did that apply to the north half of Section 18?

17 A. Yes, it did.

18 Q. Has the time expired under which to drill a well
19 under that order?

20 A. Yes, it has.

21 Q. Are there any other reasons why you seek to
22 reforce pool this north half of Section 18?

23 A. Yes. From the time that the original order was
24 given, Maralex has secured a title opinion in preparation
25 for drilling the well. We determined from the title

1 opinion that there were some owners we didn't know about
2 the first forced pooling, and also there were some parties
3 that showed up that we thought originally had an interest
4 but now we don't think do have an interest. Therefore, we
5 wanted to include everyone in the forced pooling.

6 Q. Okay. Go ahead with your comments.

7 A. So Luke House was previously furnished as an
8 Exhibit for Order No. R-9356. He was -- we sent the same
9 proposal that we had sent to Bernice Martin Taylor: to
10 either farm out, participate or sell their interest.
11 However, it was delivered -- it was undeliverable. So we
12 have no current address for Luke House.

13 Henry and Mary Lund: Same situation as Luke
14 House: sent a letter to them and it was returned as
15 undeliverable.

16 Mary B. Taylor Hunt: She was originally sent
17 the letter that we sent to everyone back in May of '90, and
18 she agreed to sell her interest. However, to date we have
19 not received an assignment from her. Therefore we include
20 her in our application for the forced pooling.

21 Meridian Oil: We've sent several letters to
22 Meridian and we've had numerous telephone conversations
23 with Meridian, and Meridian advises us that they are
24 waiting on a management decision, so we don't have an
25 answer from them yet.

1 And Meridian falls not only in this one but also
2 in the other two cases.

3 C and E Operators, which is W.P. Carr, et al.:
4 Basically they will do whatever Meridian does, so once we
5 get an answer from Meridian, we hope to get an answer from
6 Carr, et al. But to date we have not -- we don't have any
7 kind of a response.

8 John Richardson: That interest we think they
9 will possibly farm out to Maralex.

10 Q. But at this point they have not?

11 A. Yes. At this point it's not firm, and that's
12 why we included that in our pooling.

13 Elliott Riggs: When we originally proposed the
14 pooling under the previous order, we believed that Elliott
15 Riggs had an interest in the Fruitland formation. Once we
16 secured our title opinion, we found that he did not appear
17 of record in the Fruitland. We sent notification to him
18 anyway because we had some doubt because he claimed he had
19 received an interest through someone. However, this
20 Dolores Baxter is also a stranger to title.

21 Q. Dolores Baxter is the person he claims to claim
22 an interest from?

23 A. Yes. And she is also stranger to our title.

24 Q. And just a second on that. Referring back to
25 Exhibit 1-A, I notice at the bottom a listing of a certain

1 tract in this northeast quarter. It lists a number of
2 undetermined owners, does it not?

3 A. Yes.

4 Q. And it's really going to take a lot of title
5 curative work to figure out who those people are?

6 A. Yes. Yes. The title is quite complex. It's
7 old. These people acquired their interest in the '60s, and
8 many of them are deceased. Therefore, it's been quite --
9 quite an onerous task to try and determine ownership.

10 We've got 19 percent out of a 40-acre tract that
11 we really aren't sure as of this point who owns that. We
12 believe possibly it may be some of that is Elliott Riggs,
13 but we do not know for sure.

14 Q. Okay. Go ahead with the rest of your comments.

15 A. Okay. That's it in the north half of
16 Section 18 --

17 Q. Okay.

18 A. -- as far as contacts, the correspondence, the
19 status.

20 Q. Now, referring to case 10275, the north half of
21 Section 19, would you please refer to Exhibits 4 and 6?

22 And now, Exhibits 4 and 6 refer to case 10275,
23 do they not?

24 A. Yes, they do.

25 Q. Would you please identify those for the examiner

1 and go through them like you just did for the prior two
2 exhibits?

3 A. Okay. Exhibit 4, El Paso: Again, care of
4 Meridian; waiting on management. Same correspondence that
5 you previously reviewed applies to this case.

6 Caprock Energy has agreed to farm out to
7 Maralex.

8 Norman L. Gilbreth has agreed to farm out to
9 Maralex.

10 Koch Exploration Company: They told us that
11 they would not sell and that they would not farm out but
12 they might participate, but to date no response, no final
13 response.

14 Snyder Operating: We believe they might
15 possibly sell. They only own one acre.

16 Thomas and Donita Fisher are currently unleased.
17 We have a lease offer out to Thomas Fisher.

18 And the last three parties were included because
19 their oil and gas leases do not contain pooling clauses.
20 They do not have a working interest in the unit, per se.

21 Q. And that's Exhibit 4, and Exhibit 6 is a copy of
22 all the correspondence regarding these interest owners?

23 A. Yes, it is.

24 Q. And one thing I might ask you: Regarding
25 Caprock Energy, were papers signed today with Caprock

1 regarding a farm out in this?

2 A. Yes, they were.

3 Q. Then please refer to Exhibits 5 and 7. These
4 exhibits, 5 and 7, apply to case 10276, do they not?

5 A. Yes, they do.

6 Q. Would you please go through them for the
7 examiner?

8 A. Norman L. Gilbreth has agreed to farm out to
9 Maralex.

10 Southland Royalty and El Paso Production
11 Company: Again waiting on their management's decision.

12 Glen Dial, Jr.: We have sent a letter to him
13 requesting that he farm out or participate or sell or
14 whatever, and it's been returned as undeliverable.

15 Enid Neibaur Price: We can't even find an
16 address for her. We can't even locate her. We've made
17 numerous attempts to locate Enid or her heirs and have been
18 unsuccessful, and that's outlined in this affidavit.

19 Q. That's Exhibit 7?

20 A. Uh-huh.

21 Q. The first page of Exhibit 7?

22 A. Exhibit 7. And Denver and Rio Grande Western
23 Railroad: They have verbally agreed to lease to us. We
24 plan on closing tomorrow.

25 Q. Okay.

1 A. And that's it.

2 Q. Does Maralex request that it be named operators
3 of the three wells?

4 A. Yes.

5 Q. Were all interested parties notified of these
6 three hearings?

7 A. Yes, they were.

8 Q. Referring to Exhibit 8, is that the notice
9 letter and return receipts for Case 10274?

10 A. Yes, it is.

11 Q. And then we have an exhibit. It's marked 9 and
12 10, and that's a copy of a letter. Could you describe what
13 that is, please?

14 A. Yes. This is the same notification as for the
15 previous case only we included these two as one.

16 Q. And that would be for Cases 10275 and 10276?

17 A. Yes.

18 Q. And were Exhibits 1 through 10 prepared by you,
19 under your direction or compiled from company records?

20 A. Yes.

21 Q. And in your opinion is the granting of this
22 application in the interest of conservation, the prevention
23 of waste and the protection of correlative rights?

24 A. Yes.

25 Q. And will the next witness testify as to penalty

1 and production for nonconsenting interest owners?

2 A. Yes.

3 MR. BRUCE: Mr. Examiner, at this time I move the
4 admission of Exhibits 1 through 10.

5 EXAMINER STOGNER: Are there any objections?

6 MR. KELLAHIN: No objection.

7 MR. STOVALL: Is the next witness also going to cover
8 operating overhead and --

9 MR. BRUCE: Yes.

10 MR. STOVALL: -- all those nasty little details that
11 go along with forced pooling cases?

12 MR. BRUCE: Yes sir. Yes.

13 MR. STOVALL: Okay. Do we have originals on your
14 certificates of mailing for any or all of these cases?

15 THE WITNESS: Yes, I do. I can give those to you.

16 MR. STOVALL: Okay. I'd want to get those. I'd like
17 to have those.

18 MR. BRUCE: After -- there might be a few questions
19 after she gets excused. Maybe she can put them together.

20 MR. STOVALL: That would be a good idea.

21 EXAMINER STOGNER: Are there any objections to
22 Exhibits 1 through 10?

23 MR. KELLAHIN: No objection.

24 EXAMINER STOGNER: Exhibits 1 through 10 will be
25 admitted into evidence at this time.

1 (Whereupon Applicant's Exhibits 1 through 10 were
2 admitted into evidence.)

3 Mr. Kellahin, I'll open the witness up to you for
4 10274.

5 CROSS-EXAMINATION

6 BY MR. KELLAHIN:

7 Q. Miss Ritcher, let me have you go back to your
8 Exhibit 1-A, which is the plat showing the different tracts
9 in the north half of 18.

10 A. Yes.

11 Q. Do you have that?

12 A. Yes, I do.

13 Q. The northwest of the northwest is lot 1?

14 I'm trying to identify the description in the
15 docket with the plat.

16 A. Yes. The northwest-northwest is Lot 1, and then
17 the southwest of the northwest is Lot 2.

18 Q. Looking at the northeast quarter, you see the
19 northeast of the northeast, and there's a portion of that
20 tract that's south of the Animas River.

21 A. Yes.

22 Q. Am I correct in understanding that that is
23 Seventh Day Adventist acreage?

24 A. Yes.

25 Q. Your client is seeking the choice of reentering

1 the -- was it Brimhall well? There's a Brimhall. It's
2 called the --

3 A. Yes. Yes, it's the Brimhall. Yes, the Brimhall
4 No. 1.

5 Q. The Brimhall No. 1 well, and it's located in the
6 southwest of the northeast -- well, it's in the northeast
7 quarter and it's in the northeast of the northeast, right?

8 It says 45 acres and there's a circle.

9 A. Right. Right.

10 Q. That's the approximate location of the Brimhall
11 well, isn't it?

12 A. Uh-huh.

13 Q. What's the status of that well at this point?
14 Do you know?

15 A. I think the next witness would be perhaps better
16 prepared to answer that.

17 Q. From a land perspective, have you examined as a
18 landman the ownership of that well bore?

19 A. Yes, I have.

20 Q. Where does the ownership of that well bore lie
21 at this point?

22 A. The ownership of that well bore, we believe,
23 lies with the surface owner.

24 Q. Why do you reach that conclusion?

25 A. Because this well -- and I don't know the exact

1 dates. Mr. O'Hare would be better prepared to answer this,
2 but this well has not produced since -- for many, many
3 years.

4 Q. The OCD well file shows a gas disconnection
5 certificate for the Pictured Cliffs formation in that well
6 in 1988, I believe.

7 Do you have any information about a gas
8 disconnect notice on that well?

9 A. I don't, no.

10 Q. Do you know whether or not the that well has
11 been plugged and abandoned?

12 A. It has not, to my knowledge.

13 Q. Give me again now your explanation why you
14 believe the ownership of that well bore now lies with the
15 surface owner.

16 A. Because the well has not produced for some time,
17 and therefore the leases that were previously held by that
18 well have expired due to nonproduction and --

19 Q. Have you examined to seek whether or not there
20 were any shut-in gas royalties paid to any of the lessors
21 that had well -- had leases being held by production from
22 that well?

23 A. We have in some cases, yes.

24 Q. Do you know if they were paid or not?

25 A. I don't believe they were.

1 Q. Which of the wells in -- which of the leases in
2 your opinion have expired for lack of production from the
3 Brimhall well?

4 A. The tract that is listed Seventh Day Adventist
5 Association of Colorado that we show unleased. We believe
6 that that expired due to nonproduction.

7 Q. Had the status of the well not been -- well, if
8 that lease had not been held by the Brimhall well, then
9 there was no other way to perpetuate that lease?

10 A. Right. That lease only contained acreage within
11 the spacing unit for that well.

12 Q. Which would have been the 160 acres,
13 approximately, in the northeast quarter of this section?

14 A. Right. Right. We don't believe it was held by
15 any other production.

16 Q. And your examination shows that the Seventh Day
17 Adventists have not issued another lease to anyone else?

18 A. Correct. It's unleased, as far as we know.

19 Q. When we go to the next lease, which shows
20 Maralex Resources in 26 acres, a hundred percent --

21 A. Uh-huh.

22 Q. -- how do you reach that conclusion? Is that
23 because of an expired lease?

24 A. Uh-huh. Uh-huh.

25 Q. That would have otherwise been held by the

1 Brimhall well that you now subsequently leased?

2 A. Right. Right.

3 Q. When we get to the Jay Burnham trust, that
4 hundred percent, would that otherwise have been a lease
5 held by the Brimhall well?

6 A. Yes.

7 Q. And because of your position that that well has
8 been abandoned, the lease expired?

9 A. Yes.

10 Q. So each of those three leases were beyond their
11 primary terms and being held by that well?

12 A. Yes, way beyond.

13 Q. And there were no other wells holding any of the
14 acreage in any of those leases?

15 A. No.

16 Q. Does that also hold true for the 40 acres in the
17 southwest of the northeast?

18 A. No. The southwest of the northeast quarter --
19 that lease also had acreage in another spacing unit for
20 another well, so therefore that 40 acres, we believe, is
21 still held.

22 Q. Do you have a breakout of the working interest
23 ownership under the assumption the Brimhall lease -- the
24 well had not been abandoned and therefore those leases were
25 still being held?

1 Is there -- do you have a compilation of what
2 that working interest ownership would be?

3 A. In the Brimhall well?

4 Q. Yes.

5 A. If it was all still held?

6 Q. Yes.

7 A. Basically what we had at the prior hearing were
8 pay sheets that were furnished from way back on that well,
9 and that had some ownership for the well. But as far as
10 our title goes, we don't have ownership down to the
11 Pictured Cliffs. Our title covers just to the Fruitland.

12 Q. Describe for me as best you can the differences,
13 then, in the ownership you express to the Division in
14 Case 10112, which was the prior pooling of the this
15 acreage.

16 What ownership were you working off of to get
17 the working interest to be pooled in the prior case?

18 A. In the prior case was based on pay sheets, old
19 pay sheets, that were furnished from the previous operator
20 of the well, and it was before we had a drilling title
21 opinion rendered, so this new title opinion brought to
22 light many new owners.

23 Q. What is your understanding of who the last
24 operator of that Brimhall well was?

25 A. I believe it was -- I believe it was Keyes

1 Trust.

2 Q. Keyes Trust was acting as the operator of the
3 well, as best you remember?

4 A. I believe, but again I think Mr. O'Hare might be
5 better able to answer that.

6 Q. Based upon the title title opinion, you indicate
7 that the breakout for this case -- now you believe in the
8 Fruitland Coal Mr. Riggs has a 1.48272 percent interest, as
9 shown on your Exhibit No. 2?

10 A. I'm not certain that he owns that. He believes
11 that he got his interest from someone named Dolores Baxter.
12 Dolores Baxter does not show up in our title opinion, so
13 she's a stranger to title.

14 Q. I misread the display; I'm sorry. The title
15 opinion shows no interest in Mr. Riggs in the coal --

16 A. Right.

17 Q. -- for the north half?

18 A. In the Fruitland Coal, right.

19 Q. Do you have a copy of the title opinion
20 available?

21 A. I do, yes.

22 Q. Might I look at that?

23 A. Sure.

24 MR. KELLAHIN: I'll pass the witness. Thank you,
25 Mr. Examiner.

1 MR. STOVALL: Mr. Examiner, for the sake of keeping
2 order, I suggest that we examine this witness if we have
3 any questions in 10274 before we go on and do 10275 and
4 10276. I think we have separate cases on these particular
5 issues.

6 EXAMINER STOGNER: Are there any other questions of
7 this witness pertaining to 10275 and 10276?

8 MR. STOVALL: I do have some in case 10274.

9 EXAMINER STOGNER: I'm sorry. I misunderstood you.
10 Mr. Stovall.

11 EXAMINATION

12 BY MR. STOVALL:

13 Q. You are of the opinion that the well bore is
14 owned by the Jay Burnham Trust, I guess; is that correct?

15 A. Jay Burnham Trust owns the minerals.

16 Q. They own the minerals, not the surface?

17 A. Well, as far as surface ownership we think it's
18 Cleo Brimhall.

19 Q. Do you have permission to enter to use the well
20 bore? Have you made any efforts to purchase it from --

21 A. Not yet.

22 Q. So would it be correct to say that you really
23 have no authority to use this well bore at this time, and
24 so this application really seeks to force pool the interest
25 for a well at a location to be approved, which could be the

1 Brimhall well but may not be?

2 A. Right. It could be a reentry of that well or a
3 new well.

4 MR. BRUCE: I think, Mr. Stovall, I believe the
5 application and the advertisement do state in the
6 alternative.

7 MR. STOVALL: Actually, I wasn't terribly concerned
8 about any advertising problems.

9 MR. BRUCE: I could make a comment, Mr. Stovall,
10 regarding legal authority on ownership of well bores. I
11 refer to Mr. -- one of Mr. Kellahin's victories in an IBLA
12 decision with Penrock Oil Corporation, and there are some
13 other IBLA decisions which state that under the proper
14 circumstances, for instance, where a well is drilled and
15 the lease expires, the well bore is owned by the surface
16 owner.

17 MR. STOVALL: Well, I'm not so concerned about the
18 location of the well from a legal and notice standpoint as
19 long as we're talking an orthodox location.

20 MR. BRUCE: Yes, we're talking orthodox.

21 MR. STOVALL: I have two concerns. One directly
22 related to this case is I don't want us to issue an order
23 which would appear to give authority to enter a well bore
24 which in fact you don't have the authority to enter.

25 MR. BRUCE: And we are not asking for such an order.

1 We do want authority to force pool people for a well at a
2 standard location, wherever that may be.

3 MR. STOVALL: Okay. Well, that solves that problem.

4 The other question, of course, is -- and it may
5 or may not affect Maralex -- is the question of
6 responsibility for plugging the existing well.

7 Q. (By Mr. Stovall) Have you checked the records?
8 Are you -- do you know -- Mr. Bruce, if you want to answer,
9 you can or we can wait for Mr. O'Hare -- but who is the
10 operator of record on the Oil Conservation Division records
11 for this well?

12 MR. BRUCE: I believe Mr. O'Hare has checked.

13 THE WITNESS: Yes, Mr. O'Hare --

14 MR. STOVALL: Mr. O'Hare will answer that. Okay.

15 There's also a bond issue obviously associated
16 with this as to responsibility for this well bore. So
17 we've raised the issue about ownership and use of it, and I
18 think that raises those questions.

19 I think that's all I have on -- let me back up.

20 Q. (By Mr. Stovall) How long have you been working
21 on this for Maralex, this project, either as an employee or
22 contractor?

23 It appears you did some work for them before you
24 actually entered their employment; is that correct?

25 A. Yeah, I did. Right. It's been a year and

1 probably three months, two months.

2 Q. And it appears to me that -- is it correct to
3 say that your referred-to written communication with most
4 of these interest owners took place back in the summer of
5 1990?

6 A. 1990, uh-huh.

7 Q. Have you had conversations, telephone
8 conversations, with most of the people?

9 A. Uh-huh. Those that we could find -- those that
10 we could locate and get phone numbers on we followed up
11 with telephone conversations.

12 Q. And this list which -- and we're just talking
13 274 right now -- is a status report as of now of whatever
14 efforts you had to attempt to get control of those
15 interests; isn't that correct?

16 A. Yes. Yes, it is.

17 MR. STOVALL: I have no further questions now in 274.

18 EXAMINER STOGNER: Staying on 10274, are there any
19 other questions of this witness, Mr. Kellahin?

20 MR. KELLAHIN: I don't want to burden the record by
21 suggesting we introduce the title opinions, but perhaps I
22 can clarify some question with this witness.

23 FURTHER CROSS-EXAMINATION

24 BY MR. KELLAHIN:

25 Q. Were there any title requirements with regards

1 to the Brimhall well and its status in the title opinion?

2 A. Yes, there are. Yes.

3 Q. Does the title examiner reach any conclusion
4 about the status of the Brimhall well and whether or not it
5 in fact no longer holds those prior leases?

6 A. Yes, we did. We reached the conclusion that
7 those leases were not held, and that is why we're
8 attempting to secure new leases.

9 Q. The title attorney reached that conclusion?

10 A. No. No. No.

11 Q. Oh, you reached that conclusion?

12 A. Maralex reached that conclusion based on the
13 requirements in that title opinion, based on satisfaction
14 of the requirements in the title opinion, which were to
15 check for production and check for shut-ins, that type of
16 requirement.

17 Q. And it's still your plan, then, to attempt to
18 examine the Brimhall well as a possible way to utilize that
19 well bore to enter the Fruitland Coal Gas Pool?

20 A. Yes.

21 MR. KELLAHIN: No further questions.

22 EXAMINER STOGNER: As far as 274, any more questions?

23 MR. STOVALL: I have a comment more than question.

24 At this point it appears -- well, let me ask one
25 question.

FURTHER EXAMINATION

BY MR. STOVALL:

Q. Is it true that there are definitely some title questions with respect to the acreage to be dedicated to this well?

A. Yes. Yes.

MR. STOVALL: Mr. Bruce, I'm going to -- I would like to request that you submit in conjunction with the cards that either you or Miss Ritcher submit -- in conjunction with the service cards an affidavit of service identifying those parties who have been properly served, because I think this may be an appropriate order to identify those parties who are subject to the order so that there's no confusion as to the OCD attempting to make title determinations, but rather only identifying those parties subject to its jurisdiction for forced pooling purposes.

MR. BRUCE: Yes. And we -- one comment, Mr. Stovall: We've already discussed the possibility of potentially coming back and force pooling additional parties if others can be located, but I believe Maralex --

MR. STOVALL: I'm not so much worried about "located" as "identified."

MR. BRUCE: Well, that's part of the problem, but I believe Maralex would like to move forward and drill the well and therefore seeks forced pooling at this time, even

1 though there may be some additional parties who may have to
2 be force pooled in the future who are not subject to this
3 order.

4 MR. STOVALL: I would -- if you could provide that
5 information so then as we review this, assuming that forced
6 pooling is issued, I'm going to recommend to the examiner
7 that we identify the parties subject to the order over whom
8 the Division has jurisdiction in this case.

9 EXAMINER STOGNER: Any other questions of this witness
10 pertaining to 10274?

11 MR. KELLAHIN: Let me follow up one last thought.

12 FURTHER CROSS-EXAMINATION

13 BY MR. KELLAHIN:

14 Q. Have you obtained releases from all the lessees
15 that held the expired leases?

16 A. No.

17 Q. That were previously dedicated to the Brimhall
18 well?

19 A. No.

20 Q. We don't have that solution?

21 A. No.

22 MR. KELLAHIN: Okay.

23 MR. STOVALL: I think that leaves me where I suggested
24 we might be.

25 EXAMINER STOGNER: If there's no questions on 10274,

1 let's move on to 10275. Are there any questions of this
2 witness pertaining to those two applications?

3 MR. STOVALL: Mr. Gilbreth, do you have any questions
4 that you'd like to ask the witness about the case you're
5 interested in?

6 If you have them for Mr. O'Hare, save them for
7 Mr. O'Hare. If you have any questions about what she's
8 testified to, go ahead and ask her now.

9 MR. GILBRETH: No, I have none.

10 EXAMINER STOGNER: If not, she may be excused at this
11 point. We may recall Miss Ritcher later.

12 MR. BRUCE: Let me -- Mr. Examiner, I think you only
13 mentioned 10275. Could we make sure there's no questions
14 on 10276?

15 MR. STOVALL: I think he meant to include both.

16 EXAMINER STOGNER: I'm sorry, yes. If I didn't say
17 that, I meant to include it.

18 MR. BRUCE: Okay.

19 Call Mr. O'Hare to the stand.

20 ALEXIS MICHAEL O'HARE,
21 the Witness herein, having been first duly sworn, was
22 examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. BRUCE:

25 Q. Would you please state your name for the record?

1 A. My full name is Alexis Michael O'Hare.

2 Q. And whom do you work for?

3 A. Maralex Resources.

4 Q. And do you have a position with that company?

5 A. I'm the president of Maralex Resources.

6 Q. Do you also have a technical background?

7 A. That's right. I'm a registered professional
8 engineer.

9 Q. What type of engineer are you?

10 A. Petroleum engineer.

11 Q. Have you previously testified before the OCD and
12 had your credentials as a petroleum engineer accepted as a
13 matter of record?

14 A. Yes, I have.

15 Q. And are you familiar with the engineering and
16 technical matters related to these three applications?

17 A. Yes, I am.

18 Q. And as an aside, do you also have some
19 familiarity with the lands matters involved in these cases?

20 A. Unfortunately, yes.

21 MR. BRUCE: Mr. Examiner, I would tender Mr. O'Hare as
22 an expert engineer.

23 EXAMINER STOGNER: Mr. O'Hare is so qualified. We
24 also may note, being a president of the corporation, it may
25 open up his expertise in other areas.

1 Q. (By Mr. Bruce) Mr. O'Hare, referring to Case
2 10274, would you refer to Maralex Exhibits 11 and 12 and
3 discuss the cost of Maralex's proposed well and describe
4 why there are two exhibits?

5 A. Exhibits 11 and 12 are authorities for
6 expenditure. Exhibit No. 11 is for the case where we would
7 drill a new well on the subject acreage. The total cost
8 that we have projected for a new well completed to the
9 tanks is \$231,210.

10 Exhibit 12 is an authority for expenditure for
11 the recompletion of the existing Brimhall No. 1 well. The
12 total cost has been estimated to be \$163,500 for that work.

13 We prepared two exhibits again because we have
14 come before the Division asking that we be granted
15 permission to pool the acreage under the north half of
16 Section 18, either for the recompletion of the existing
17 well bore or for the drilling of a new well, and of course,
18 the recompletion of the existing well bore would be
19 contingent upon obtaining approval of the owners of the
20 existing well bore along with verifying the integrity of
21 the existing well bore.

22 Q. Would you please then refer to Exhibit 13 and
23 discuss the proposed well cost in case 10275?

24 A. Exhibit 13 is an authority for expenditure for
25 the drilling of a new well in the north half northeast

1 quarter of Section 19 of Township 30, Range 11 west. We're
2 projecting a total depth on that well of 2,100 feet, and
3 our estimated well cost is \$236,180.

4 Q. And in the north half of Section 19 it will
5 certainly be a new well; is that correct?

6 A. That is correct. There are no existing well
7 bores in the north half of Section 19.

8 Q. And then for case 10276, would you refer to
9 Exhibits 14 and 15 and discuss the cost of the proposed
10 well?

11 A. Exhibit No. 14 is an authority for expenditure
12 for the reentry and recompletion of an existing well bore
13 called the Polokoff Blancett No. 1 that is located in the
14 northeast quarter of Section 24. Our total estimated
15 expenditure for that work is \$172,156.

16 Exhibit No. 15 is an authority for expenditure
17 for a new well in the northeast quarter of Section 24. Our
18 total estimated cost is \$235,750.

19 We have again prepared two authorities for
20 expenditure contingent upon being able to utilize the
21 existing well bore or reenter an existing well bore and
22 recomplete it to the Fruitland coals. And if we are unable
23 to do so, then we would request approval to pool the
24 interest under the east half of Section 24 for a new well.

25 Q. And are these proposed well costs that you've

1 just itemized in line with those normally encountered in
2 drilling wells at this depth in this part of the state?

3 A. Yes, we believe so.

4 Q. Do you have a recommendation as to the amount
5 which should be paid to Maralex as operator for supervision
6 and administration expenses?

7 A. We are recommending that \$3,000 per month be
8 allowed for a drilling well and \$300 per month be allowed
9 for a producing well for each of the well bores included
10 under Orders No. 10274 through 10276.

11 Q. How do these compare with the Ernst and Young
12 rates?

13 A. We believe these are lower than the Ernst and
14 Young rates, and they are also lower than the normal rates
15 charged in the San Juan Basin.

16 Q. Now, in your application you've also requested a
17 penalty to be assessed against nonconsenting interest
18 owners; is that correct?

19 A. That is correct.

20 Q. What penalty do you recommend?

21 A. We have asked for a 200 percent penalty.

22 Q. Now, I think you're pretty familiar with the
23 practice in many of these coal gas oils for a 156-percent
24 penalty; is that correct?

25 A. Yes, it is.

1 Q. Why do you request the 200 percent penalty?

2 A. We are requesting a larger penalty in order to
3 insure our investors we'll receive a rate of return that is
4 acceptable to them.

5 Q. And in connection with that, would you discuss
6 the geologic and engineering risk factors for the proposed
7 well, and first refer to Exhibit 16?

8 A. Exhibit 16 is an overall net isopach map showing
9 the coal thickness in the area of the three wells. The
10 proposed wells are not shown on the map, but again they are
11 in the northeast quarters of Section 18, 19 and 24. And as
12 you can see on this map, those three locations are
13 coincident with the thinning of the coals in this area, and
14 so there is some risk that commercial production from the
15 coals is actually diminishing in this area.

16 Q. And also in connection with the risk, would you
17 refer to Exhibits 17 and 18 and discuss the economics a
18 little further?

19 A. Exhibit 17 is labeled "Scott Post Recompletion
20 Economics." These economics are based on the results that
21 we have achieved at our Scott No. 1 well, which is located
22 in the southwest quarter of Section 18. That well was
23 recompleted in December and just put on line in early
24 February from the Fruitland coals.

25 Latest producing rates with the compressor are

1 150 MCF a day with about 85 barrels of water per day.
2 Without the compressor the well was making less than 100
3 MCF per day.

4 Our costs shown on Exhibits 11 through 15 do not
5 include compression costs. Therefore the economics do not
6 reflect compression.

7 What Exhibit 17 shows is that the return on
8 investment without a nonconsent penalty is 1.28. Payout is
9 achieved in more than 91 months, and our rate of return is
10 less than ten percent, assuming that we achieve the same
11 kind of producing rates that we saw on the Scott No. 1
12 well.

13 Exhibit 18 are the reentry economics for the
14 Blancett No. -- I'm sorry, the Polokoff Blancett No. 1 in
15 the northeast quarter of Section 24, again assuming that we
16 have the same kind of results that we saw on the Scott
17 No. 1 well. The only difference here is that our capital
18 costs have been reduced, as reflected in the AFEs, and
19 again our payout is right at 81 months. Our return on
20 investment without a nonconsent penalty is only 1.88, and
21 our rate of return is just a little better than 12 percent.

22 Q. Now, your rate of return would depend on gas
23 prices, too, would it not?

24 A. That is correct. And these economics were based
25 on a gas provides of 120 per MCF initially with a

1 escalation of six percent per year. Current gas prices in
2 the area are actually less than a dollar per MCF.

3 Q. And what type of gas production rate is assumed
4 for these economics?

5 A. This assumes that we started off producing 100
6 MCF a day, and by the end of the first year we have reached
7 a peak rate of 200 MCF per day, and then it declines at a
8 rate of about five percent per year.

9 Q. Are there wells in the area which don't do that
10 well?

11 A. Yes. In fact, the Simmons No. 1, which is
12 located in the northwest quarter of Section 15, was
13 recompleted by Meridian in 1989. To date that well -- at
14 least to my knowledge -- has not produced more than about
15 70 MCF a day.

16 Q. And what about water production in this area?

17 A. We were not expecting water production to be a
18 factor in this area until we recompleted our Scott No. 1.
19 That well started its production with about 200 barrels of
20 water per day, and as I mentioned before, it is down to
21 about 80 barrels of water per day.

22 Our disposal costs right now are running just a
23 little over two dollars per barrel, and we are definitely
24 in a negative cash flow position on the Scott No. 1 as of
25 this date.

1 Q. In your opinion, will the granting of these
2 applications be in the interest of conservation, prevention
3 of waste and the protection of correlative rights?

4 A. Yes, they will.

5 Q. And were Exhibits 11 through 18 prepared by you
6 or under your supervision?

7 A. Yes, they were.

8 MR. BRUCE: Mr. Examiner, I move the admission of
9 Exhibits 11 through 18.

10 EXAMINER STOGNER: Are there any objections?

11 MR. KELLAHIN: No objection.

12 EXAMINER STOGNER: Exhibits 11 through 18 will be
13 admitted into evidence.

14 (Whereupon Applicant's Exhibits 11 through 18 were
15 admitted into evidence.)

16 Thank you, Mr. Bruce.

17 Mr. Kellahin, I'll turn the witness to you.

18 CROSS-EXAMINATION

19 BY MR. KELLAHIN:

20 Q. Mr. O'Hare, let's use your net isopach map as an
21 index to help me find some of these wells.

22 Am I correct in remembering that the south half
23 of 17 was the subject of a compulsory pooling application
24 by your company, Order R-9357?

25 A. That is correct.

1 Q. Entered on October 13th of 1990?

2 A. I don't recall the exact date, but I assume
3 that's correct.

4 Q. Did you reenter the well? Wasn't that the Price
5 well that was a choice for a reentry for that spacing unit?

6 A. That is what we applied for, yes, but we never
7 did attempt the reentry on that Price well.

8 Q. Why did you not do that?

9 A. We had several problems there. One is the well
10 bore is physically located between houses and under an
11 overhead power line.

12 Number two, when we started to do our drill-site
13 title opinion, we found even more complexities associated
14 with the title on that tract than were apparent on the
15 north half of 18, and so we elected to defer the work on
16 that well until such time as we had completed our work in
17 the remainder of the area.

18 Q. So you have not yet drilled a well anywhere in
19 the south half of 17 for the coal gas production?

20 A. No, we haven't.

21 Q. Where are the wells that you have -- your
22 company has drilled for the coal gas production on this
23 display?

24 A. We have one well in the southwest quarter of
25 Section 18 right where the "3" is on this map.

1 Q. And that's called the what?

2 A. The Scott No. 1.

3 Q. When did you complete that well?

4 A. It was completed in January and put on
5 production in -- February 8th I believe was the first date
6 of production.

7 Q. Where is the Meridian Simmons well?

8 A. It is in the northwest quarter of Section 17 at
9 an unorthodox location.

10 Q. This net isopach map that you've presented
11 today -- is that the same net isopach map that you
12 presented to Examiner Morrow in Case 10113, which was on
13 the south half of 17?

14 A. Yes, it is.

15 Q. And is it the same map that you presented to
16 Examiner Morrow in Case 10112, which was the prior pooling
17 of the north half of 18?

18 A. Yes, it is.

19 Q. As a result of your presentation before him in
20 October, Examiner Morrow reduced your requested risk-factor
21 penalty to 156 percent, did he not?

22 A. Yes, he did.

23 Q. Also in that order he awarded you overhead rates
24 on a monthly basis of \$2,800 a month for a drilling well
25 rate and \$280 for a producing well rate?

1 A. That is correct.

2 Q. Your request today is higher by \$120?

3 A. Yes, it is.

4 Q. Why the difference?

5 A. Well, again as you see from our title opinion
6 and the testimony given by Mrs. Ritcher, there is quite a
7 bit more complexities than we had originally estimated and
8 quite a bit more paperwork required for the company to
9 complete, just more overhead to be dealt with with this
10 area due to title problems and curative work.

11 Q. Wouldn't those be charges inherently involved in
12 the AFE?

13 A. For the title opinion, yes. But for the
14 majority of the curative work and the remaining paperwork,
15 no.

16 Q. So when we look at that category on the AFE near
17 the bottom of it, it says, "Overhead: Land, Legal and
18 Insurance," there's \$3,000 on one of these AFEs for that
19 activity?

20 A. Yes. And that is the rate that we are applying
21 for. That is the same number that we are asking to have
22 approved today.

23 Q. When I look at the Exhibit 12, that's the AFE
24 for the Brimhall No. 1 well?

25 A. That is for the recompletion of the Brimhall

1 No. 1, that is correct.

2 Q. The recompletion?

3 A. Right.

4 Q. In the AFE you have costs allocated for those
5 activities of \$2,400?

6 A. That is correct.

7 Q. And that would be in the AFE cost?

8 A. Right.

9 Now, that \$2,400 is a prorated amount based on
10 the \$3,000 per month that we are requesting.

11 Q. Have you allocated an item in the AFE to take
12 care of the water hauling and the water production?

13 A. For the initial production during the testing of
14 the well, we have, and it is under "Water and Hauling."

15 Q. What do you do with the water?

16 A. All of the water that is being produced on the
17 Scott No. 1 is currently being hauled off to basin
18 disposals, a disposal facility just north of Bloomfield.

19 Q. And they are the ones charging the two dollars a
20 barrel for disposal?

21 A. Their rates are \$65 per load, but then we also
22 pay trucking costs on top of that. And the average rate we
23 have seen since we've started producing the Scott No. 1
24 well is slightly more than two dollars per barrel.

25 Q. For the pooling of the north half of 18, are

1 your AFEs the same as the AFEs you presented to the
2 commission?

3 A. No, they are not. There are some differences
4 that were generated by our experience with the recompletion
5 of the Scott No. 1 well.

6 Q. Briefly tell me the differences, if you can.

7 A. Most of the differences were in the water and
8 hauling category, some of the labor categories and then in
9 the supervision -- any of the categories that had to do
10 with the time involved in the recompletion of the well and
11 the prorated charges or allocable charges due to that time
12 have been changed.

13 Q. Your projection of economics were based upon a
14 particular recoverable gas volume?

15 A. That is correct.

16 Q. Describe for me your methodology in getting to
17 your estimated ultimate recovery for the well in the north
18 half of 18.

19 A. What we have done is take our net coal isopach
20 map and assume a gas content for the coals in this area,
21 apply a recovery factor to that along with an assumed --
22 we'll call it "weight per ton" -- or "weight per unit
23 volume of coal" to come up with a total gas recoverable,
24 gas amount in place.

25 Q. What were the parameters you used? What were

1 those items for each of those parameters?

2 A. I don't have that information in front of me,
3 but to the best of my recollection we used about 20 feet of
4 net coal. We used 250 standard cubic feet per ton of coal,
5 and we used 1,800 tons per acre for our weight of coal.

6 Q. And that gave you what volume of gas in place in
7 the coal for that spacing unit?

8 A. Again, I don't have those numbers in front of me
9 so any number I would give you would be purely conjecture.

10 Q. What recovery percentage were you using out of
11 the coal?

12 A. We were using 25 to 50 percent, and the
13 economics are based on a 25 percent recovery factor.

14 Q. What period of time did you calculate your
15 economics over? What was the life of the well?

16 A. We took our well life from 1991 through the year
17 2011.

18 Q. What's the basis for doing that period of time?

19 A. That is a 20-year period, and to our knowledge,
20 there are not any intentional coal wells that -- in the
21 San Juan Basin that have produced for anywhere close to
22 that period.

23 As you know, the place is only about ten to 11
24 years old. Some of the early wells were drilled in the
25 middle '70s, and some of those are still producing. But

1 there are wells that have been plugged and abandoned due to
2 well bore problems primarily.

3 Q. Could you turn to the Brimhall well? Give me
4 your explanation why you believe that well is no longer
5 holding the leases it held.

6 A. The state records show that that well has not
7 produced since April of 1986. The leases that we were able
8 to come upon in the title search indicated that there were
9 no shut-in gas royalty clauses in some cases. There was no
10 evidence in any cases that shut-in gas royalties had been
11 paid.

12 The current mineral owners have not only been
13 willing to negotiate with us for new leases, none of them
14 have come back and say, "We think those leases are
15 currently held."

16 So all that taken together has led us to the
17 conclusion that those particular leases have expired.

18 Q. Before I mark this for introduction, Mr. O'Hare,
19 let me have you check it for me and see if you came across
20 this gas disconnection notice in this particular well file
21 to make sure we're dealing in fact with the same Brimhall
22 well.

23 I'm not positive in my own mind. It's a gas
24 disconnect notice dated October 10th of '88. Would you
25 look at this for me?

1 A. Sure.

2 Q. Is that the same well?

3 A. That is the same well we're talking about.

4 Q. Did you examine the well file to determine what
5 documents were in the OCD well file for that well?

6 A. I examined the well file in Aztec, New Mexico,
7 yes.

8 Q. And what did it tell you in terms of the last
9 sequence of activity for that particular well?

10 You said it last produced when?

11 A. In April of 1986.

12 Q. And that was production out of the Pictured
13 Cliffs formation?

14 A. That is correct.

15 Q. Is there any explanation in the file as to why
16 that was the last date of production?

17 A. No, none that I saw.

18 Q. Did you as an engineer attempt to determine if
19 there were any remaining gas reserves that could be
20 produced out of the Pictured Cliffs for this spacing unit?

21 A. I approached the operator of record and asked
22 him if there were, in his opinion, any reserves remaining
23 to be produced. He indicated that --

24 Q. Who was the operator?

25 A. I'm sorry. The operator of record is B.H. and

1 M.M. Keyes. Lonnie Cunningham is the trustee of the Keyes
2 Trust. B.H. Keyes, or Bradley Keyes, is deceased, and my
3 understanding is that all of his property and the property
4 jointly held with his wife, Margaret M. Keyes, has been
5 placed into the Keyes family trust and that Lonnie Keyes is
6 the trustee -- I'm sorry, Lonnie Cunningham is the trustee.

7 Q. Were you able to obtain -- they own the minerals
8 in a portion of that spacing unit, do they not?

9 A. That is correct.

10 Q. Have they executed a lease to your company at
11 this point?

12 A. They have executed a farmout agreement to farm
13 out there acreage to Maralex Resources.

14 Q. Did you attempt to try to determine from the
15 decline curve analysis or pressure information whether or
16 not there was any remaining reserves in the Pictured Cliffs
17 for this well?

18 A. Not from decline curve analysis, but I did get
19 the pressure information from Mr. Cunningham. He indicated
20 that shut-in -- shut-in -- surface shut-in pressure on the
21 well was less than 120 pounds. The current line pressure
22 in that area is about -- well, it's been varying between
23 170 and 210 pounds. Therefore it will not produce against
24 existing line pressure.

25 Q. In the absence of compression?

1 A. In the absence of compression.

2 Mr. Cunningham indicated that he had looked at
3 compression for that well and determined that it would not
4 be economical at existing prices, and this was a year ago
5 when prices were in the \$1.60 to \$1.80 range. Prices are
6 substantially lower than that now.

7 The definition of "reserves" is -- includes a
8 statement saying that "recoverable hydrocarbons at existing
9 conditions." Therefore there are no remaining reserves in
10 the Brimhall No. 1 Pictured Cliffs formation.

11 Q. When we look at the spacing unit for the north
12 half of 18, what is the closest completed coal gas well to
13 the north half after the Scott well in the south half?

14 A. It would be the Simmons No. 1. That is a
15 Meridian-operated well in the --

16 Q. In the northwest of 17?

17 A. Northwest of 17.

18 Q. And after that are any others in close
19 proximity?

20 A. Any others would be off of the map. Mesa has
21 some wells to the south and east.

22 Q. Nothing yet drilled in 13 immediately to the
23 west of 18?

24 A. Not to my knowledge, no.

25 Q. And there's nothing in 7 yet, or 12, to the

1 northwest?

2 A. Not to my knowledge.

3 Q. What's your basis for control of the thickness
4 on your isopach map?

5 A. Most of the control points are shown on this
6 map. All points shown had open-hole logs that we used to
7 determine the thickness of the coals, and again this is an
8 overall coal map so it includes basal coal and several coal
9 stringers.

10 Q. You call it a "net map." How did you get to a
11 net map from a gross map? What did you use for a cutoff?

12 A. We used greater than one foot of coal thickness.

13 Q. In your activities to drill coal gas wells, have
14 you reentered any other well bore to utilize it for coal
15 gas production at this point in your coast activities?

16 A. Yes, we have. The Scott No. 1 was a
17 recompletion of an existing well bore.

18 And in fact the Scott No. 1 was drilled in 1953,
19 so it's a very old well bore, but we found that the
20 mechanical condition of the well bore was excellent.

21 MR. KELLAHIN: I have no further questions. Thank
22 you.

23 EXAMINER STOGNER: Thank you, Mr. Kellahin.

24 THE WITNESS: Mr. Examiner, Mr. Gilbreth asked me to
25 clarify that the northeast quarter of Section 24, as to his

1 acreage, was limited to the stratigraphic equivalent of the
2 base improvement coal formation, and so it's to his
3 interest we are not requesting any additional formations
4 from the surface to the base of the coal as we are for the
5 remaining acreage in that drill site spacing unit.

6 EXAMINER STOGNER: I'm sorry.

7 MR. STOVALL: Try that again.

8 MR. KELLAHIN: Do it again, please.

9 EXAMINER STOGNER: Yes.

10 THE WITNESS: Okay. The acreage that Norman L.
11 Gilbreth contributes to the drill site spacing unit in
12 Section 24 is limited solely to the stratigraphic
13 equivalent of the Fruitland coal -- the Basin Fruitland
14 Coal formation, whereas our request for the pooling asks
15 that all formations from the surface of the earth to the
16 base of the Basin Fruitland and Coal formation be pooled.

17 EXAMINER STOGNER: I'm looking at your February 25th
18 application from Miss Jennifer Ritcher, who states in her
19 application:

20 "Per our telephone conversation of
21 February 22nd, 1991, I request that you include the
22 following application for compulsory pooling of the Basin
23 Fruitland Coal Formation."

24 And what you're telling me today is not what the
25 application was for. Am I missing something?

1 In what other 320-acre proration units are there
2 above the Basin Fruitland Coal that can be formed? What
3 other formations are spaced on 320?

4 THE WITNESS: To my knowledge, none. I was under the
5 impression from the description of the case that the --
6 I'll retract my previous statement.

7 EXAMINER STOGNER: Thank you. We can move on.

8 MR. STOVALL: It doesn't affect Mr. Gilbreth anyway
9 because if he joins the well, the order is not applicable
10 to him, so it doesn't matter as far as his interests are
11 concerned.

12 I have a couple of questions on your -- I want
13 to do one thing here. Let's deal with the 274. I want to
14 ask you some questions about the well bore and that. Then
15 I'd like to give Mr. Gilbreth a chance to ask you questions
16 on 275 and 6, and then I've got some in general about the
17 area that would apply to all three cases.

18 Acceptable, Mr. Bruce? Does that sound like a
19 reasonable way to sort this thing out?

20 MR. BRUCE: Yes, sir.

21 EXAMINATION

22 BY MR. STOVALL:

23 Q. You've heard all the testimony and the questions
24 to Mrs. Ritcher about the Brimhall well bore in case 274.

25 As the president of the company and the person

1 who is going to be responsible for drilling this well, what
2 is your company's position and your position with respect
3 to the use of the Brimhall well at this time?

4 Do you have the right to use it?

5 A. No. We have not yet secured the right to use
6 the well bore.

7 Q. And who do you believe is the owner of that well
8 bore from whom you must secure that authority?

9 A. As of this moment, we believe that Cleo
10 Jenkins -- or Cleo Brimhall is the owner of the well bore
11 by virtue of his ownership of the surface.

12 Q. And I believe there's some question on
13 Mr. Riggs' part -- Mr. Kellahin, correct me if I'm wrong --
14 that Mr. Riggs believes he owns an interest in that well
15 bore, and that it is still --

16 MR. KELLAHIN: That's what he's represented to me,
17 Mr. Stovall. Unfortunately, he was not able to be here
18 today so I can't confirm it with him.

19 Q. (By Mr. Stovall) Again, I would like to make
20 very clear that in the context of a forced pooling order
21 that no order can -- that we issue can give you ownership
22 of a well bore that you would not have otherwise have
23 ownership to. We don't determine that ownership.

24 A. We understand that.

25 Q. It's a legal matter, so I don't want you to do

1 something on the basis of an order we issue and find out
2 that you really don't own it.

3 MR. STOVALL: I think we can move on to the 275 and
4 276.

5 I have no further questions on 274.

6 EXAMINER STOGNER: Any other questions on 274?

7 Okay. Let's move on to 275 and 276.

8 MR. STOVALL: Mr. Gilbreth, do you have any questions
9 for Mr. O'Hare on your cases?

10 MR. GILBRETH: Yes. I'd like to ask Mr. O'Hare if
11 your recommendation for forced pooling from the surface to
12 the basin of Fruitland coal also applies to Section 19.

13 MR. STOVALL: Mr. Gilbreth, I think we have determined
14 that his application does not go from the surface to the
15 base. It only applies to the Fruitland coal, so he doesn't
16 have an application for that.

17 MR. GILBRETH: Oh.

18 MR. STOVALL: He only has an application to force pool
19 the Fruitland coal, so that eliminates that concern.

20 MR. GILBRETH: I do have one other question.

21 Mr. O'Hare shows that -- if I can figure this
22 out now. On May the 11th of 1990 he had me signing a
23 farmout agreement for Township 30 and 11 and 12, Range 11
24 and Range 12.

25 MR. STOVALL: What are you looking at, Mr. Gilbreth?

1 MR. GILBRETH: Exhibit 7.

2 MR. STOVALL: Okay. We're in which case? 275?

3 MR. BRUCE: That would be 276, I believe.

4 I believe that covered both cases.

5 MR. GILBRETH: Now, that's page 1, page 2 and page 3.

6 MR. STOVALL: Just a second. Let's find the exhibit.
7 We've got them kind of sorted by case here. If you give us
8 a minute, then we'll --

9 MR. BRUCE: It's Exhibit 7. That starts out with an
10 affidavit.

11 MR. STOVALL: It's part of Exhibit 7?

12 MR. BRUCE: Right.

13 MR. STOVALL: I've got a letter here. I'm looking at
14 Case 276, and I've got a -- oh, I see. Exhibit 7, a letter
15 to Mr. Gilbreth, dated May 11th, 1990; is that correct? Is
16 that the one we're looking at?

17 MR. GILBRETH: Yes.

18 MR. STOVALL: Okay. Now go ahead with your question.

19 MR. GILBRETH: All right. He shows that I signed a
20 farmout agreement of May 11th, 1990, where I actually
21 signed it June the 6th of 1990.

22 MR. STOVALL: Well, I think it says -- I don't think
23 that's a -- is that an issue? Is that -- I mean, your
24 signature line does say the 6th, but that's not a --

25 MR. GILBRETH: It shows I signed another one in April

1 the 27th of 1990.

2 MR. STOVALL: On the same land?

3 MR. GILBRETH: On the same land. May the 3rd. I'm
4 not sure -- I'm not sure what the problem is.

5 MR. STOVALL: Well, it appears to me, Mr. Gilbreth,
6 that the May 11th letter refers to in paragraph 1 --

7 MR. GILBRETH: Okay. An extension. Yes, sir, I
8 thought of that.

9 MR. STOVALL: Yes, he's talking about an extension to
10 that letter, and then there's a description change so I'm
11 not -- now, if you'd like to -- would it be better for you
12 to be sworn and attempt to clarify?

13 If you've joined the well, if you're agreeing to
14 join the well, you don't particularly have a problem. If
15 you'd like to clarify something on the record, we can have
16 you sworn and you can testify as to what you believe to be
17 the facts with respect -- after Mr. O'Hare is through.

18 Otherwise you can ask him questions if you want
19 to, but let's take the most direct and efficient way to get
20 to it.

21 MR. BRUCE: Perhaps Mr. O'Hare could just comment on
22 it just briefly.

23 MR. STOVALL: Okay.

24 THE WITNESS: I'd be happy to.

25 The April 27th letter was our original letter to

1 Mr. Gilbreth whereby we sought his approval to farm out his
2 lands in Township 30 north, Range 12 west, and
3 Township 30 north, Range 11 west.

4 Mr. Gilbreth executed that letter contingent
5 upon the removal of the lands in Township 30 north,
6 Range 11 west. When we received that executed agreement,
7 we talked to Mr. Gilbreth and asked him if we could
8 reinstate the lands in Township 30 north, Range 11 west,
9 and got him to agree to that. We then went back and
10 prepared the May 11th letter whereby we also expounded upon
11 the definition of the farmout terms and the payout, payout
12 definition.

13 The last paragraph of that letter also amended
14 the previous agreement to allow the joint operating
15 agreement to go into effect at the first date -- at the
16 date of first gas sales of the initial test well rather
17 than the payout of the initial test well, since the terms
18 of the agreement called for a ten percent carried working
19 interest to Mr. Gilbreth. And that was accepted by him and
20 agreed to on the 6th day of June of 1990.

21 MR. STOVALL: Mr. Gilbreth, I think you can answer
22 this question without the necessity of being sworn.

23 Is that your understanding? Did he correctly
24 state what you understand these two letters to do?

25 MR. GILBRETH: Pretty much. However, in Section 13,

1 the east half, are you saying that that farmout included
2 that -- that acreage?

3 THE WITNESS: That was included in the original
4 agreement, yes.

5 MRS. GILBRETH: But wasn't it --

6 THE WITNESS: It was never -- I'm sorry.

7 MR. STOVALL: Well, let's keep it clear here. If we
8 can get one of you to ask, just for the court reporter's
9 benefit as much as anything.

10 Discuss it with each other and then one --
11 Mr. Gilbreth, if you'd ask it, it just makes it easier to
12 read the transcript.

13 THE WITNESS: Section 13 was part of a parcel that
14 Mr. Riggs had an interest in, and in our preliminary
15 discussions with Mr. Riggs he had indicated that there was
16 no way he would allow any kind of well to be drilled in the
17 east half of Section 13. He apparently owns both the
18 minerals and the surface in the northeast quarter of
19 Section 13.

20 We had attempted to strike an agreement with
21 Mr. Riggs to where he would not contest our pooling of the
22 acreage in Sections 18, the north half of 18, and the south
23 half of 17, and under that agreement Maralex would not
24 attempt to force pool his acreage in the east half of
25 Section 13.

1 And that was relayed to Mr. and Mrs. Gilbreth,
2 and again I had attempted to leave the door open with
3 Mr. Riggs to where at some point in the future, if we could
4 prove that the wells would be economically beneficial to
5 Mr. Riggs, we would be able to come back to him and try to
6 get his cooperation in the east half of Section 13.

7 MR. STOVALL: I think -- let me just stop it right
8 here and not go into too much more detail in Section 13.

9 Mr. Gilbreth, it appears -- Section 13 appears
10 to be covered by the agreement. It is not the subject of
11 these cases, and I don't know what the rest of the
12 agreement says as far as Maralex's continuing obligation to
13 drill or how they would earn that acreage.

14 If you have concerns about that, I would
15 recommend that you discuss them with Mr. O'Hare, and since
16 you're both here at the same time, on the same day, in the
17 same town, it might be the best time to clarify that.

18 And I will tell you simply that the order will
19 not affect your agreement with Mr. Gilbreth -- I mean --
20 excuse me -- Mr. O'Hare and Maralex outside of two sections
21 that are the subject matter of the cases.

22 The other thing I'll tell you is that if you
23 reached an agreement and if he's drilling with your -- got
24 your interest joined with your permission, the order is not
25 going to affect you at all. You're not a party to this,

1 and you will not be subject to the order if you've reached
2 an agreement with him.

3 So if that helps you clarify --

4 MR. GILBRETH: It does.

5 MR. STOVALL: -- what's going to happen, what's going
6 on here and what you do with him. This is only a small
7 part of the total picture.

8 MR. GILBRETH: Right.

9 MR. STOVALL: Any other questions for Mr. O'Hare?

10 Mr. Gilbreth, do you have any other questions?

11 MR. GILBRETH: I believe not.

12 EXAMINATION

13 BY EXAMINER STOGNER:

14 Q. Mr. O'Hare, are you -- is Maralex a party to the
15 ongoing --

16 EXAMINER STOGNER: Is it GRI study, Mr. Stovall?

17 MR. STOVALL: Well, it's actually the Fruitland Coal
18 Bed Methane Committee. Are you a participant in that?

19 THE WITNESS: I personally was a participant when I
20 was employed with the National Cooperative Refinery
21 Association. However, when I terminated my employment with
22 NCRA, I essentially resigned my involvement with the Coal
23 Bed Methane Committee just due to lack of time.

24 MR. STOVALL: When was that?

25 THE WITNESS: That was in January of 1990.

1 Q. (By Examiner Stogner) Are you a party of record
2 to the ongoing case --

3 EXAMINER STOGNER: Which case is that, Mr. Stovall?

4 MR. BRUCE: 9420, reopened.

5 Q. (By Examiner Stogner) Are you a party to that?

6 A. No, I'm not.

7 MR. STOVALL: Let me back up and ask you a couple of
8 quick geologic questions.

9 FURTHER EXAMINATION

10 BY MR. STOVALL:

11 Q. First, this map -- it indicates on the bottom
12 was drafted by Rocky Mountain Cartography.

13 What role -- what did Rocky Mountain Cartography
14 do? Did they do any interpretation, or did they just
15 simply draft it?

16 A. No, simply draft it. And they took my
17 interpretation and made it look pretty.

18 Q. So this is your geologic interpretation of
19 Fruitland Coal?

20 A. That is correct.

21 Q. Have you had the opportunity to review any of
22 the study work done by ICF Resources for the Coal Bed
23 Methane Committee?

24 A. Maybe not specifically the work they are doing
25 for the committee, but I have reviewed a large amount of

1 ICF Resources work in the San Juan Basin both for clients
2 and for my own behalf.

3 Q. And are you aware that a part of their report is
4 a case -- which is -- the first half of which has been
5 heard and the second half of which will be heard on
6 April 4 -- the coal thickness is not necessarily related to
7 productive potential of a well, a very thick coal and a
8 very poor producer?

9 A. Yes, I am. ICF Resource's contention is that
10 productivity of the coals is controlled more by
11 permeability than coal thickness, although there are other
12 factors like pressure and gas content, but the primary
13 controlling factor is permeability.

14 Q. How would that affect your opinion as to the
15 element of risk in this particular area, given the fact
16 that the standard for the pool is 156 percent?

17 A. Again, we acknowledge that the coals are in
18 place and there's very low risk that we will not encounter
19 the coals. Our contention is that the risk is in achieving
20 an economic well bore in leading certain economic criteria,
21 and we feel that the only way to offset that risk is to
22 increase the risk penalty.

23 Q. And economic criteria is individualized to a
24 particular company, is it not?

25 A. That is correct.

1 Q. And the economics you presented are your
2 economics in -- what is it? -- 17 and 18, I believe?

3 A. Right.

4 MR. STOVALL: I have no further questions.

5 EXAMINER STOGNER: Are there any other questions of
6 this witness?

7 If not, he may be excused.

8 Are there any closing statements, Mr. Bruce or
9 Mr. Kellahin?

10 MR. KELLAHIN: I'd like to suggest, Mr. Stovall, that
11 you take administrative notice of Case 10112, Order
12 No. R-9356. I think I have a complete copy of the
13 transcript and exhibits here. If not, I can compile one in
14 a moment.

15 MR. STOVALL: On what specific issue?

16 MR. KELLAHIN: On the specific issue of the
17 risk-factor penalty, the overhead rates applied to that
18 prior case.

19 MR. STOVALL: Mr. Bruce, go ahead.

20 No. Did you have a response to that?

21 MR. BRUCE: No. I don't think it matters to me either
22 way.

23 THE WITNESS: I do, if I may.

24 MR. KELLAHIN: Well, I think they are admissible
25 because they are entirely relevant. Now, to the extent the

1 examiner wants to utilize it, that's perhaps to be seen in
2 closing arguments, but they certainly involve the same
3 subject matter. It's a recent forced pooling case by this
4 particular party, and we think it's appropriate to compare
5 Mr. O'Hare's testimony under oath in October to what we
6 have had today and let the examiner resolve those issues.

7 EXAMINER STOGNER: Mr. Bruce.

8 MR. BRUCE: And I think it's well within the
9 jurisdiction of the Division to take notice of its files
10 whenever it needs to.

11 I would merely point out, as Mr. O'Hare has
12 testified on the record in that particular case, 10274,
13 that factors have changed since that time, primarily gas
14 price, which would justify the higher overhead rates.

15 And I would also point out, as Mr. O'Hare
16 testified, that these rates are lower than Ernst and Young
17 rates, and I believe he testified that they are lower than
18 many other operators in this area.

19 MR. STOVALL: I would suggest we can take notice of
20 this particular case, but we are also -- have done lots of
21 forced pooling in the Fruitland Coal, and I think the
22 Division is pretty well aware in -- that may be -- have
23 some specific relevance, but it's not the only thing that
24 we'll be aware of in evaluating those factors.

25 EXAMINER STOGNER: In answer to your question,

1 Mr. Kellahin, I will take administrative notice of
2 Case 10112 in particular.

3 Are we ready for closing statements?

4 MR. BRUCE: Certainly.

5 EXAMINER STOGNER: Before we do -- Mr. Kellahin, I'll
6 let you go first.

7 Mr. Bruce, I'll let you follow.

8 MR. KELLAHIN: Mr. Examiner, I'm concerned about the
9 ability of the Division to enter an order that in any way
10 appears to provide Maralex the opportunity to reenter the
11 Brimhall No. 1 well. It will always -- whatever you do, if
12 you enter such an order that provides that opportunity, it
13 will be -- it will have the appearance of vesting Maralex
14 with the authority to make that entry.

15 I think it would be a difficult drafting matter
16 to provide for the reentry of that well without first
17 establishing the predicate that they have the right to
18 reenter it. Mr. O'Hare testifies that he does not yet have
19 that right. I am not satisfied that the surface owner in
20 fact owns that well bore, so there is a significant problem
21 that we need to resolve with regard to the ownership of the
22 Brimhall well.

23 I would suggest that the time might be best
24 served if you'll give us an opportunity to submit legal
25 argument to you on what we think is the appropriate

1 resolution of the Brimhall well. I'm not satisfied that
2 Mr. Bruce is correct that the ownership belongs to the
3 surface owner at this point.

4 MR. STOVALL: Mr. Kellahin, may I interrupt you for
5 just a moment and ask a question because I also share your
6 concern?

7 Is it appropriate -- and, Mr. Bruce, I'd like
8 your response too -- to order an authorizing -- if forced
9 pooling is granted -- authorizing a well at an orthodox
10 location without specifying the location or authorizing
11 specifically the reentry, that being required through
12 filing of an EPD for either a new well or reentry, rather
13 than -- because I'm aware of your concern, sensitive to
14 your concern on that.

15 Do you have a problem with a generic, a more
16 generic approval of a forced pooling?

17 MR. KELLAHIN: The Brimhall well is at a 990 location,
18 which satisfies, I think, the standard well locations for a
19 coal gas well. And so if you entered a forced pooling
20 order allowing Maralex to force pool the coal gas
21 formations on 320 for a well to be located in the northeast
22 quarter at a standard location, perhaps that's all you need
23 to do, and let them resolve in another way the ownership of
24 the Brimhall well and the liability and responsibility for
25 entering that well bore and not utilize the pooling order

1 as having any appearance that it authorizes that activity.

2 MR. BRUCE: As both witnesses testified, they are not
3 seeking to reenter a well that they have no rights to
4 reenter. The prior order stated that the unit in the north
5 half of Section 18 would be dedicated to either the
6 existing well or a new well to be drilled, and I think that
7 would satisfy the requirements.

8 However, certainly as long as the order
9 authorized completion at an orthodox location, that would
10 totally leave it up to Maralex to deal with the owner of
11 the well bore, and it would not foreclose, of course, on
12 the other hand, Maralex from drilling at that existing well
13 bore if indeed it had the right to do so.

14 MR. STOVALL: That -- I think that is appropriate in
15 this case. That's my recommendation. I think that solves
16 that issue.

17 MR. KELLAHIN: And I think it's a cleaner resolution
18 of that problem.

19 As to the overhead rates, we'd ask the examiner
20 to compare Mr. O'Hare's testimony in October with his
21 testimony today. We would ask that you compare his
22 economic arguments then with now. I think you will come to
23 the conclusion that there's no justification to give
24 Maralex a special risk-factor penalty over and above the
25 150 percent that has been substantially utilized by the

1 Division for everyone else that has come forward on that
2 topic.

3 And that's all the comments I have.

4 EXAMINER STOGNER: Thank you, Mr. Kellahin.

5 Mr. Bruce.

6 MR. BRUCE: I really have no further comments other
7 than the fact that I -- once again, Mr. O'Hare has
8 supported his requested 200 percent penalty with
9 substantial testimony, and we believe the 200 percent
10 should be granted. And with that, we would request that
11 the order be issued.

12 EXAMINER STOGNER: Thank you, Mr. Bruce.

13 Does anybody else have anything further in any
14 of these cases? If not, I'll take --

15 MR. STOVALL: Let me ask Mr. Bruce again -- let me
16 clarify.

17 Do we have title questions on all three of the
18 cases, or are Sections -- is it only Section 18 that's got
19 this significant title problem?

20 MR. BRUCE: Section 18 there are a few minor
21 questions.

22 MR. STOVALL: Would you submit an affidavit with an
23 Exhibit A identifying the parties notified for all three
24 cases?

25 MR. BRUCE: Yes.

1 MR. STOVALL: And then we will review that and
2 determine whether we need to specifically identify that in
3 the forced pooling order, as to whom -- who is subject to
4 jurisdiction.

5 MR. BRUCE: In answer to your question, although there
6 are some -- I believe some relatively minor -- well, for
7 instance, on Case 10276 there are some unlocateable
8 interest owners. Other than that, there are no title
9 problems, and of course since they are unlocateable, the
10 advertisement took care of notifying them.

11 On Section -- north half of Section 19, there
12 are a couple of questions, but I believe the landman will
13 be clarifying those with her curative work, and as we
14 previously discussed, the primary question results to a
15 40-acre tract the southwest of the northeast of Section 18.

16 MR. STOVALL: Okay. But we will need affidavits.

17 MR. BRUCE: But we will submit affidavits on each
18 case.

19 EXAMINER STOGNER: If there's nothing further in any
20 of these cases, I'll take cases 10274, 275 and 276 under
21 advisement.

22 Let's take a ten-minute recess, and then we'll
23 finish the docket up.

24 (The foregoing hearing was concluded at the
25 approximate hour of 3:35 p.m.)

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

REPORTER'S CERTIFICATE

I, PAULA WEGEFORTH, a Certified Court Reporter and Notary Public, DO HEREBY CERTIFY that I stenographically reported these proceedings before the Oil Conservation Division; and that the foregoing is a true, complete and accurate transcript of the proceedings of said hearing as appears from my stenographic notes so taken and transcribed under my personal supervision.

I FURTHER CERTIFY that I am not related to nor employed by any of the parties hereto, and have no interest in the outcome hereof.

DATED at Santa Fe, New Mexico, this 22nd day of April, 1991.

My Commission Expires:
 September 27, 1993

Paula Wegforth
 PAULA WEGEFORTH
 Certified Court Reporter
 CSR No. 264, Notary Public

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case Nos. 10224, 10275 & 10276 heard by me on 21 April 1991.

Michael E. Hagan, Examiner
 Oil Conservation Division