

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

CASE 10,776

EXAMINER HEARING

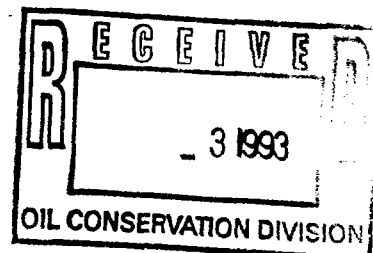
IN THE MATTER OF:

Application of Drum Energy Corporation for  
compulsory pooling, Lea County, New Mexico

**ORIGINAL**

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER



STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

July 29th, 1993

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

FOR THE DIVISION:

ROBERT G. STOVALL  
Attorney at Law  
Legal Counsel to the Division  
State Land Office Building  
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

KAREN AUBREY  
Attorney at Law  
236 Montezuma  
Santa Fe, New Mexico 87501

\* \* \*

## I N D E X

## Page Number

## Appearances

2

## JOE ALEXANDER

Direct Examination by Ms. Aubrey

4

Examination by Mr. Stovall

13

Examination by Examiner Stogner

14

Further Examination by Mr. Stovall

26

## DAVID MUSSETT

Direct Examination by Ms. Aubrey

16

Examination by Examiner Stogner

24

Certificate of Reporter

30

\* \* \*

## E X H I B I T S

## APPLICANT'S EXHIBITS:

Exhibit 1

6

Exhibit 2

7

Exhibit 2A

13

Exhibit 3

7

Exhibit 4

12

Exhibit 5

19

Exhibit 6

20

Exhibit 7

22

Exhibit 8

22

\* \* \*

1 WHEREUPON, the following proceedings were had  
2 at 10:20 a.m.:

3 EXAMINER STOGNER: Call next case, Number  
4 10,776.

5 MR. STOVALL: Application of Drum energy  
6 Corporation for compulsory pooling, Lea County, New  
7 Mexico.

8 EXAMINER STOGNER: Call for appearances.

9 MS. AUBREY: Karen Aubrey, Santa Fe, New  
10 Mexico, representing the Applicant. I have two  
11 witnesses to be sworn.

12 EXAMINER STOGNER: Are there any other  
13 appearances?

14 Will the witnesses please stand to be sworn?  
15 (Thereupon, the witnesses were sworn.)

16 EXAMINER STOGNER: Ms. Aubrey?

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

20 DIRECT EXAMINATION

21 BY MS. AUBREY:

22 Q. State your name, place of residence and  
23 occupation.

24 A. My name is Joe Alexander. I'm from Midland,  
25 Texas, and I'm an independent landman.

1 Q. And in this case are you working with Drum  
2 Energy Corporation as -- to provide land testimony in  
3 this case?

4 A. Yes, I am.

5 Q. Have you testified previously before the New  
6 Mexico Oil Conservation Division and had your  
7 qualifications made a matter of record?

8 A. Yes, I have.

9 Q. And you're a petroleum landman; is that  
10 right, Mr. Alexander?

11 A. Yes, ma'am.

12 MS. AUBREY: Mr. Stogner, I tender Mr.  
13 Alexander as an expert in petroleum land titles.

14 EXAMINER STOGNER: Mr. Alexander is so  
15 qualified.

16 Q. (By Ms. Aubrey) Mr. Alexander, can you  
17 briefly state what Drum Energy Corporation seeks by its  
18 Application today?

19 A. Drum energy is seeking to force-pool certain  
20 of the interests to obtain -- to be able to drill a  
21 well in the southwest quarter of Section 35 in Township  
22 1 South, Range 35 East.

23 Q. And have you personally performed the search  
24 of the public records and calculated and compiled the  
25 working interest in the southeast quarter of the

1 southeast quarter of Section 35?

2 A. I have.

3 Q. Let me have you refer to Drum Energy's  
4 Exhibit Number 1, which is an area map. Do you have  
5 that in front of you, Mr. Alexander?

6 A. Yes, ma'am.

7 Q. Does that show the proposed proration unit?

8 A. It does.

9 Q. And the proposed well location?

10 A. Yes, ma'am, it does.

11 Q. This case has been advertised as a case  
12 pooling either the 160-acre proration unit or a 40-acre  
13 oil proration unit --

14 A. Yes, ma'am.

15 Q. -- you understand that?

16 And if so, have you examined the land titles  
17 with regard to both proposed proration units?

18 A. Yes, ma'am, I have.

19 Q. In your examination of the land title and  
20 working interests, have you discovered whether these  
21 interests are undivided across the 160?

22 A. Yes, ma'am, they are undivided across the  
23 160.

24 Q. Are there any interests in the 40-acre tract  
25 which are not also present in the same percentage in

1 the 160?

2 A. No, there aren't.

3 Q. Let me have you look now at Exhibit Number 2.  
4 Did you prepare this exhibit, Mr. Alexander?

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

6 Q. This is a list of working interest ownership  
7 in the 160; is that correct?

8 A. Yes, it is.

9 Q. And except for Drum Energy, which is the  
10 first entry on your list, the remaining parties listed  
11 and their percentage of interest are parties which have  
12 not agreed to participate in the well; is that correct?

13 A. That's correct.

14 Q. I understand that you've recently received a  
15 lease from one of the parties on this list to Mr.  
16 Charles H. Coll; is that right?

17 A. That's right.

18 Q. Okay. So Mr. Coll has signed a lease with  
19 Drum Energy?

20 A. Yes, he has.

21 Q. So is it Drum's request that he be removed  
22 from the list of parties to be --

23 A. Yes, it is.

24 Q. Let me have you look now at Exhibit Number 3.  
25 Can you describe for the Examiner what that is?

1           A.    This is a letter that was sent out by Drum  
2           Energy Corporation to all of the people -- It was sent  
3           out on June 11th, and it was sent to all of the people  
4           who had not at that time agreed to join with Drum  
5           Energy in the drilling of the well.

6                    The letter offered to either lease the  
7           interest or it included an AFE for their signature for  
8           an agreement to join in the drilling of the well.

9           Q.    Now, Exhibit Number 3 is a letter to Mr. W.  
10          Rey Williams; is that correct?

11          A.    Yes, it is.

12          Q.    Do you know whether or not the exact same  
13          letter was sent to all parties to be pooled with the  
14          exception of the name of the party and the description  
15          of the amount of the interest?

16          A.    Yes, it was.

17          Q.    Do you know whether or not all parties to be  
18          pooled received an AFE for the proposed well?

19          A.    Yes, they did.

20          Q.    Can you briefly describe for the Examiner  
21          what efforts you made as a landman prior to June 11th,  
22          1993, to obtain the voluntary participation of the  
23          working interest owners in the proposed well?

24          A.    My efforts consisted of attempting to contact  
25          or locate all of these owners. I did so by telephone.



1 The ones that I was able to locate, I attempted to  
2 negotiate with.

3 I sent letters to some of them. In some of  
4 the cases, they agreed to our terms but were unable for  
5 one reason or another to follow through or had not at  
6 the date of this letter come up with terms that we had  
7 agreed on.

8 Q. Were there any parties on this list, your  
9 Exhibit Number 2, which you were unable to speak with  
10 or locate?

11 A. Yes, there were.

12 Q. Who were they?

13 A. W. Rey Williams is a person. He obtained his  
14 interest in 1930, and that is the only instrument of  
15 record in the records of Lea County that even has his  
16 name on it. I obtained two subsequent addresses. We  
17 have attempted to contact him at both addresses and we  
18 have been unable to do so. And the letter of June 11th  
19 came back to us, was sent out certified mail and came  
20 in, returned to us as undeliverable.

21 Q. Attached to Exhibit 2 [sic] is a photocopy of  
22 an envelope. Is that the copy of the certified letter  
23 you sent to Mr. Williams that was --

24 A. Yes.

25 Q. When you checked the Lea County records for

1 Mr. Williams, were you able to find even a 1930 address  
2 for him?

3 A. No, I was not.

4 Q. Why was that?

5 A. His -- The deed that was given to him was  
6 returned to the grantor of the deed; it was not  
7 returned to the grantee. And therefore, I have no way  
8 of knowing if he was even -- what county or state the  
9 man was living in at the time.

10 Q. Were you able to locate a Mr. Rey Williams or  
11 a W.R. Williams in Tulsa, Oklahoma?

12 A. I was subsequently able to find a W.R.  
13 Williams in the city directory, in the phone books of  
14 Tulsa, Oklahoma.

15 Q. And did you provide -- Is that the address  
16 that you sent the June 11th letter to?

17 A. That is.

18 Q. Is there anyone else on Exhibit Number 2 that  
19 you weren't able to locate?

20 A. Yes, Charles Lee and Emma Lee.

21 Q. What efforts did you make to locate Mr. and  
22 Mrs. Lee?

23 A. I found out that their interest had come to  
24 them by one of the -- or was sold to them by one of the  
25 other interest owners that I was negotiating with or an

1 heir of one of the other interest owners that I was  
2 negotiating with.

3 In contacting her, I found out that she was  
4 well acquainted with both Mr. and Mrs. Lee, and she  
5 stated that Mr. Lee had died back in the 1950s and that  
6 Mrs. Lee had remained in Tulsa until the 1960s, and  
7 then she had moved to California. And she at that time  
8 was going to attempt to locate some of the heirs for  
9 me.

10 Subsequent to that time, she has not been  
11 able to locate anyone, any of their heirs or any of  
12 their relations.

13 The fact that Mr. Lee and Mrs. Lee have moved  
14 from Tulsa was subsequently verified by the fact that  
15 -- and the city directory showed them there through  
16 1961, and they were no longer at the address that we  
17 have for them.

18 I contacted the probate court in Oklahoma.  
19 They have no record of a probate on either Mr. or Mrs.  
20 Lee.

21 Q. Where did you obtain the address that was  
22 used for the purpose of providing notice of this  
23 hearing in the Application that was filed by Drum  
24 Energy?

25 A. That is the address that appeared in the city

1 directories and the phone books for the period of the  
2 1950s and 1960s.

3 Q. So that was their last -- as far as you were  
4 able to discover, the last known address?

5 A. That's the last known address.

6 Q. Is there anyone else on the list that you  
7 were unable to locate?

8 A. No.

9 Q. Mr. Alexander, is Drum Energy seeking to be  
10 named as operator of this well?

11 A. Yes, they are.

12 Q. Let me have you look now at Exhibit Number 4,  
13 which is a certificate of mailing and compliance with  
14 the New Mexico Oil Conservation Division Rule 1207.  
15 Attached to the exhibit are photocopies of the post  
16 office return receipt cards; is that correct? --

17 A. Yes, ma'am.

18 Q. -- showing the mailing of the Application and  
19 notice in this case; is that correct?

20 A. That's correct.

21 Q. Mr. Alexander, were Exhibits 1 through 4  
22 prepared by you or under your direction and  
23 supervision?

24 A. Yes, ma'am, they were.

25 MS. AUBREY: Mr. Stogner, I offer Exhibits 1

1 through 4.

2 EXAMINER STOGNER: Exhibits 1 through 4 will  
3 be admitted into evidence at this time.

4 MS. AUBREY: I have no more questions of the  
5 witness at this time.

6 EXAMINER STOGNER: Mr. Stovall?

7 EXAMINATION

8 BY MR. STOVALL:

9 Q. I assume you have not brought any of the  
10 other letters that you've sent; is that correct? Other  
11 than the June 11th?

12 A. I have some of them in my possession, yes.

13 MS. AUBREY: We didn't mark them as an  
14 exhibit, Mr. Stovall. I'll be happy to do that at this  
15 time if you request it.

16 MR. STOVALL: I don't think it would hurt,  
17 given our earlier -- I think you were here earlier.

18 MS. AUBREY: Yes, sir.

19 MR. STOVALL: I think it would be helpful to  
20 the Division to have previous correspondence marked and  
21 a copy submitted.

22 MS. AUBREY: May we then mark those as  
23 Exhibit 2A and submit them at the close of the hearing?  
24 Would that be acceptable?

25 EXAMINER STOGNER: That would be fine.

1 Q. (By Mr. Stovall) You say you have checked  
2 probate records for Mr. Williams?

3 A. Yes.

4 Q. In Tulsa?

5 A. In Tulsa, yes.

6 Q. Let's see, we're in Lea County. Have you  
7 checked the General Grantor/Grantee Indexes of Lea  
8 County in general --

9 A. Yes.

10 Q. -- or did you check with respect to this  
11 tract?

12 A. The Grantor/Grantee alphanumeric, yes, I've  
13 checked them for other indications of these people.  
14 They do not show --

15 Q. For both Williams and -- Who is it? Lee?

16 A. Williams and lee.

17 MR. STOVALL: I don't have any further  
18 questions.

19 EXAMINATION

20 BY EXAMINER STOGNER:

21 Q. Mr. Alexander, in looking at Exhibit Number  
22 1, and particularly the southwest quarter of Section  
23 35, I know this is a copy of a Midland Map Company  
24 publication, but your testimony stated that this is --  
25 all the interest shown is undivided.

1                   But whenever I take a look at Exhibit Number  
2                   1, it would appear to me that some of this is divided,  
3                   but that's not the case as I understand it?

4                   A.    No, no.

5                   Q.    Is there a discrepancy there or --

6                   A.    It's undivided under the entire southwest  
7                   quarter, sir. Perhaps if I knew what you were  
8                   referring to, I could explain.

9                   Q.    Okay, looking at the boxes, let's see, your  
10                  red dot covers one up --

11                  A.    Right.

12                  Q.    -- but there's one up there, the G.O. Keith,  
13                  et al.? Those lines usually represent a different  
14                  lease. At least, that's what they usually represent.

15                  A.    I do not know what these lines on the map  
16                  represent, sir. All I know is what is in the record,  
17                  and the record shows these interests to be undivided.

18                  Q.    Okay. So regardless, then, the percentage  
19                  then would be the same, regardless if it was a 40-acre  
20                  proration unit or a 160?

21                  A.    That's correct.

22                  EXAMINER STOGNER: I have no other questions  
23                  of Mr. Alexander.

24                  MR. STOVALL: I have none.

25                  EXAMINER STOGNER: You may be excused.

1 MS. AUBREY: Call David Mussett.

2 DAVID MUSSETT,

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

5 DIRECT EXAMINATION

6 BY MS. AUBREY:

7 Q. Would you state your name and how you're  
8 employed?

9 A. David Mussett. I'm a geologist, independent,  
10 from Midland, Texas.

11 Q. And what's your relationship with Drum Energy  
12 Corporation?

13 A. I manage Drum Energy Corporation. It is a  
14 corporation that I set up as an operating company so  
15 that I could operate oil and gas wells.

16 Q. Mr. Mussett, have you testified previously  
17 before the New Mexico Oil Conservation Division?

18 A. I have not.

19 Q. Would you review your professional degrees  
20 and training and your work experience for the Examiner?

21 A. I received a bachelor's degree in geology  
22 from the University of Texas at the Permian Basin in  
23 1986, and 1984 is when I first started working in the  
24 petroleum industry, being trained as a -- basically a  
25 development geologist.



1           And from that time I was trained and did  
2 develop drilling prospects in the Permian Basin and  
3 have continued to do so, as well as do consulting work  
4 for the industry since that time.

5           MS. AUBREY: Mr. Stogner, I offer Mr. Mussett  
6 as an expert in petroleum geology.

7           EXAMINER STOGNER: Mr. Mussett is so  
8 qualified.

9           Q. (By Ms. Aubrey) Mr. Mussett, before we go  
10 into your exhibits, you have recently discovered that  
11 the location which you have proposed for this well is  
12 not a standard location as advertised but would be an  
13 unorthodox location; is that correct?

14          A. That's correct.

15          Q. And is it Drum's request today to proceed  
16 with this case as to the issues of compulsory pooling  
17 and then to file an application for approval of the  
18 unorthodox location?

19          A. That's correct.

20          Q. While we're on that subject today, though,  
21 Mr. Mussett, can you tell the Examiner whether or not  
22 there are surface obstructions or other topographical  
23 conditions which would prevent you from drilling your  
24 well at a standard location in the southeast quarter of  
25 the southwest quarter of 35?

1           A.    Yes, and on that subject, Mr. Stogner's last  
2           question to Joe Alexander had to do with the lines on  
3           the map. Those are designating some surface divisions.  
4           And, in fact, this quarter section has been subdivided  
5           into numerous small tracts, and there are some --  
6           There's a church out there and some trailer houses and  
7           barns and homes.

8                     And the reason for the nonstandard location  
9           is because at a standard location would be too close to  
10          dwellings, and I've tried to get a reasonable and safe  
11          distance from those dwellings.

12          Q.    Referring again to the southeast quarter of  
13          the southwest quarter, can you tell the Examiner who  
14          operates the offsetting well in the southeast quarter  
15          of Section 35?

16          A.    The well in the southwest of the southeast is  
17          a well operated by Drum Energy.

18          Q.    Do you have any requirements in the lease on  
19          your well in the southwest of the southeast requiring  
20          you to protect that well from drainage?

21          A.    There are terms in some of my leases that say  
22          that I'm required to protect -- I'm the lessee, I'm  
23          required to protect their lease from drainage by offset  
24          wells.

25          Q.    Let me have you look now at your Exhibit

1 Number 5, which is a structure map on the top of the  
2 Blinebry.

3 Can you review that exhibit for the Examiner  
4 and also discuss for the Examiner your request to have  
5 either a 40-acre proration unit or a 160-acre proration  
6 unit assigned to this well?

7 A. Yes, Exhibit 5 is a structure map drawn on  
8 top of the Blinebry formation. It also shows Blinebry  
9 production in the general area, as well as the tests  
10 that have been made on the Blinebry formation in the  
11 area.

12 The Werta Federal Number 1, which offsets the  
13 proposed location, was a well that was an existing well  
14 when Drum Energy bought it, and Drum Energy recompleted  
15 that well in the Blinebry. It previously produced from  
16 deeper formations.

17 It would not, given its production history,  
18 it would not be the kind of production you would want  
19 to spend the money to drill a new well for.

20 It is the hopes of Drum Energy that by moving  
21 upstructure, up -- that we possibly make less water  
22 than the Werta Federal Number 1. The Werta Federal  
23 Number 1 makes about 40 percent water.

24 What we need to do to have the well work and  
25 be an economic success is that our new location will

1 actually be updip from the Werta Federal Number 1.  
2 Number two, that it will develop a better reservoir  
3 rock there.

4 If you will refer to Exhibit 6, which is a  
5 log, porosity log on the left and resistivity log on  
6 the right of the producing stringers, if you will, in  
7 the Werta Federal well, average porosity in those  
8 stringers is about seven percent, and that's in a  
9 Dolomite, and that's getting down close to the  
10 productive limit for commercial production.

11 So we do need to encounter better reservoir  
12 rock to have an economic success, and we're hoping that  
13 by moving updip we can -- that development will happen.

14 Also, we're hoping that by moving updip we  
15 can have less water production, possibly the conversion  
16 of what water we make to hydrocarbon production.

17 And if those things would hold true, then the  
18 well will be an economic success.

19 Q. Are there any other wells within the area  
20 producing from the Blinebry?

21 A. Only the Werta Federal well. The nearest  
22 other test would be a dryhole drilled in 1951 by  
23 Stanolind Oil and Gas, direct south offset to our  
24 proposed location.

25 They did run a drill stem test, which did not

1 include all of the productive stringers in the Werta  
2 Federal Number 1 well but did include the first  
3 stringer. They had a recovery of some gas, but not  
4 enough to -- and they recovered some oil and gas-cut  
5 mud, but the test was not sufficient for them to  
6 complete this well.

7 There are non-productive tests to the  
8 northwest of our proposed location and a marginal  
9 producer back to the east southeast of our proposed  
10 location.

11 Q. You've highlighted those on Exhibit Number 5;  
12 is that right?

13 A. Yes, I've tried to highlight all of the  
14 production or tests in the area.

15 There's a West Nadine Blinebry field, which  
16 we would hope to emulate over here at our prospect, but  
17 obviously on a smaller scale, our -- anticipating a  
18 smaller feature there as far as our structure goes.

19 Q. What risk penalty factor is Drum Energy  
20 Corporation asking be imposed against the nonconsenting  
21 working interests in this case?

22 A. We are asking cost plus 200 percent risk  
23 penalty.

24 Q. And what do you base that request upon, Mr.  
25 Mussett?

1           A.    I base it on the fact that it's a -- the risk  
2    is there, number one, that the structure does not  
3    develop the way we've depicted it. Number two, that by  
4    moving updip it in fact does not help us develop a  
5    better reservoir rock or in fact does not move us out  
6    of a water zone. And that's the risk.

7           Q.    And as shown by your Exhibit Number 5, you  
8    have no well control to the north or to the west or --  
9    and no producing wells to the south of your proposed  
10   location; is that correct?

11          A.    Well, all of our control besides the dryhole  
12   and the Werta Federal are at least a mile away and, in  
13   all cases, over a mile from our proposed location.

14          Q.    Let me have you look at Exhibit Number 7. Is  
15   this the AFE that you prepared for this -- the well  
16   that we're discussing today?

17          A.    Yes, it is.

18          Q.    Okay. Was this AFE sent to all working  
19   interest owners in the proposed proration units?

20          A.    Yes, it was.

21          Q.    In your opinion as an expert geologist, is  
22   this a fair and reasonable AFE for a well of this  
23   depth?

24          A.    Yes, it is.

25          Q.    Mr. Mussett, what overhead costs are you

1     requesting reimbursement for while drilling and  
2     producing?

3           A.     I'm requesting for those costs which are  
4     represented on Exhibit A, being average costs as found  
5     by *Ernst and Young* on fixed-rate surveys for west Texas  
6     and eastern New Mexico for a well of the depth we're  
7     proposing, which is 6200 feet. Rounded, I would ask  
8     \$4300 drilling rate and \$550 producing well rate.

9           Q.     Do you believe that that is a fair and  
10    reasonable cost, based on other -- what other operators  
11    are charging in the area?

12          A.     I do.

13          Q.     In your opinion, Mr. Mussett, will granting  
14    Drum Energy Corporation's Application prevent waste,  
15    promote conservation of hydrocarbons and protect  
16    correlative rights?

17          A.     I do.

18          Q.     Were Exhibits 5 through 8 prepared by you or  
19    under your supervision and direction?

20          A.     Yes, they were.

21                 MS. AUBREY: Mr. Stogner, I offer Exhibits 5  
22    through 8.

23                 And I have no more questions at this time.

24                 EXAMINER STOGNER: Exhibits 5 through 8 will  
25    be admitted into evidence at this time.

## EXAMINATION

BY EXAMINER STOGNER:

Q. The Werta Federal Number 1, the offsetting well back to the east, is that a Blinebry oil producer at this point?

A. Yes, sir.

Q. Do you know what pool that was in?

A. House Blinebry.

Q. The House Blinebry Pool. Are there any higher or shallower zones of interest that have potential out here?

A. I believe there are. When we drill the well we will have a mud-logger log the well, because I do believe there's potential, hopefully, in the Yates, maybe less of a chance in the San Andres.

I would say those two formations would be our best chance to have a bailout zone, as it were.

Q. Now, in looking at your -- Well, Exhibit Number 1 and then Exhibit Number 5, which are essentially the same map, with -- depicting different information, there really is no control back to the west. I mean, does this accurately depict all the wells that you know of that's been drilled in this area?

A. Yes, sir. I looked for every bit of



1 information I could when I drew the map. It's critical  
2 to my prospect.

3 EXAMINER STOGNER: I have no other questions  
4 for Mr. Mussett at this time.

5 Any administrative Application coming up for  
6 an unorthodox location I will take notice, or if you  
7 will refer to this case that would sure be of some help  
8 in your Application when you file for an exception,  
9 104-F-1.

10 Other than that, I have nothing further in  
11 Case 10,776.

12 Do you, Ms. Aubrey?

13 MS. AUBREY: Just some clarification  
14 regarding Mr. Stovall's earlier request that we offer  
15 earlier correspondence than June 11th as an exhibit.  
16 Do you want copies of all correspondence with all  
17 working-interest owners, Mr. Stovall?

18 MR. STOVALL: Are you saying -- In other  
19 words, if you sent the same letter to everyone, do I  
20 want every copy?

21 MS. AUBREY: (Nods)

22 MR. STOVALL: No, just a copy of the letter  
23 and a reference to the fact that it goes to all  
24 interest owners.

25 MS. AUBREY: May I offer --

1 MR. STOVALL: Excess paper in the file.

2 MS. AUBREY: Okay. May I offer that now,  
3 then, as Exhibit 2A, and we will tender it before we  
4 leave here today?

5 EXAMINER STOGNER: Okay. Do you have it now  
6 or --

7 MS. AUBREY: Mr. Alexander has it in his --

8 EXAMINER STOGNER: Okay, before the day's  
9 over. Okay?

10 MS. AUBREY: Right.

11 EXAMINER STOGNER: With that, if there's  
12 nothing further this case, Number 10,776, I will take  
13 it under advisement subsequent to --

14 MR. STOVALL: Let me -- Before you close the  
15 case, let's just ask the question on the record.

16 Mr. Alexander, we'll recall you for the  
17 moment but you can speak from there if you speak  
18 loudly.

19 JOE ALEXANDER,  
20 the witness herein, having been previously duly sworn  
21 upon his oath, was examined and testified as follows:

22 FURTHER EXAMINATION

23 BY MR. STOVALL:

24 Q. Do you have with you the letters that Ms.  
25 Aubrey is referring to that you're going to submit?

1           A.    Yes, I do.

2           Q.    Are those letters which you sent or caused to  
3 be sent?

4           A.    They're letters which I sent and replies too.

5           Q.    Okay, and those letters -- Is it your  
6 testimony those letters were in fact sent to all of the  
7 working-interest owners named on your -- I think it's  
8 Exhibit 2?

9           A.    No, because there's specific letters to  
10 specific working-interest owners.

11          Q.    But I mean, other than -- Was the same letter  
12 with different -- with specific information for the  
13 specific working-interest owners sent to all of them?

14          A.    Yes.

15          Q.    So it was modified only to the extent that it  
16 reflected their interest?

17          A.    Yes.

18          Q.    Okay, that satisfies that requirement.

19          A.    Excuse me, I don't exactly understand what  
20 you're trying to get to here.

21                I sent a letter to a person regarding their  
22 interest: Do you want to lease to me?

23                And they replied to me.

24                Now, that didn't go to all the other working-  
25 interest owners because I was maybe talking to them on

1 the phone or something. So these are specific letters  
2 to specific people that I --

3 MR. STOVALL: Ms. Aubrey, that may change  
4 that, then. We may need to get a copy of each of them  
5 as a packet, as 2A.

6 MS. AUBREY: We'll submit copies of all  
7 documentation.

8 Would you also like a copy of Mr. Alexander's  
9 telephone log which he, I believe, has with him --

10 THE WITNESS: Yes, handwritten.

11 MS. AUBREY: -- documenting the telephone  
12 contacts with all the working-interest owners in the  
13 proration unit?

14 MR. STOVALL: I think it's an excellent idea.  
15 I think it protects Drum and their -- should anybody  
16 challenge the force-pooling, which is not unheard of  
17 before the Division.

18 MS. AUBREY: We'll be happy to submit that,  
19 Mr. Stovall.

20 EXAMINER STOGNER: With that, you probably  
21 need a little more time, but upon submission of it --

22 MS. AUBREY: We may need some time to make  
23 some photocopies, Mr. Stogner, but I'll try to get it  
24 to you before the end of the day.

25 EXAMINER STOGNER: Okay. With that, we'll

1 continue on.

2 (Thereupon, a recess was taken at 10:55 a.m.)

3 (No further proceedings were had this date.)

4 \* \* \*

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

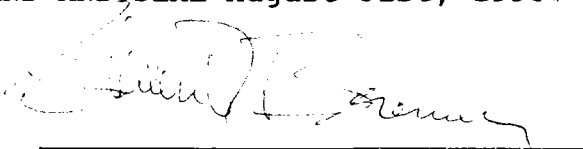
CERTIFICATE OF REPORTER

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

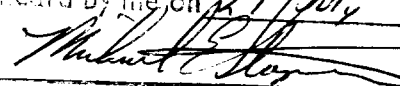
I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL August 31st, 1993.

  
 STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1994

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10776 heard by me on 29 July 1993.  
  
 Examiner  
 Oil Conservation Division



[illegible]



## WORKING INTEREST OWNERSHIP

SW/4 Section 35, Township 19 South, Range 38 East, N.M.P.M., Lea County, New Mexico; containing 160 acres, more or less.

<u>OWNER</u>	<u>% W.I</u>	<u>NET ACRES</u>
Drum Energy	69.84375	111.75
*Thelma P. Johnson, Guardian of the Estate of Minnie B. Gray	3.125	5.0
*John P. Cox	1.5625	2.5
*W. Rey Williams	.625	1.0
*Sun Operating Ltd. Partnership	12.5	20.0
*Charles H. Coll	1.5625	2.5
*James N. Coll and Florence M. Coll	1.5625	2.5
*Jon F. Coll and Mary R. Coll	1.5625	2.5
*Max W. Coll , II and Martha M. Coll	1.5625	2.5
*Eileen H. Globensky, Trustee of the Eileen H. Globensky Children's Trust c/o Liberty Bank & Trust Co. of Tulsa	.78125	1.25
*Mary Anne Heinze Romano Trustee of the Sergio Romano Romano Children's Trust c/o Liberty Bank & Trust Co. of Tulsa	.78125	1.25
*Ronald W. Waschka and Patricia Co-Trustees of the Patricia H. Waschka Trust c/o Liberty Bank & Trust Co. of Tulsa	1.041666	1.66
*Eileen H. Romano and Giangiorgio Romano Trustees of the Eileen H. Romano Trust, U/T/A dated January 28, 1970 c/o Liberty Bank & Trust Co.	1.041667	1.67

Drum Energy Corporation  
Case No. 10776  
Before Examiner Stogner  
Exhibit No. 2



of Tulsa

*John Victor Hanney and Liberty Bank and Trust Co. of Tulsa, Trustees of the Colette H. Johnstone Trust No. 1, U/T/A dated February 25, 1966	1.041667	1.67
*John V. Hanney and Liberty Bank & Trust Co. of Tulsa Trustees of the John V. Hanney Trust No. 1, U/T/A dated November 24, 1970	.78125	1.25
*Charles Lee and Emma Lee	<u>.625</u>	<u>1.0</u>
TOTAL	1.00	160.00

\*Have not consented to drilling of a well on this tract  
Total W.I. non-consenting - 30.15625% (48.25 Net Acres)