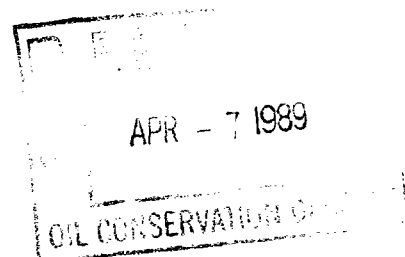


April 6, 1989



Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Bajillo Draw State No. 4 Well
Township 7 South, Range 23 East, N.M.P.M.
Section 28: SW/4
Chaves County, New Mexico

Gentlemen:

Yates Petroleum Corporation has decided to drill the well which is the subject of the captioned application in Unit M. The well was advertised as being in Unit L. Yates Petroleum Corporation wishes to put on the hearing as scheduled on April 26. If you consider that this change necessitates readvertisement, please do so.

Thank you.

Sincerely yours,

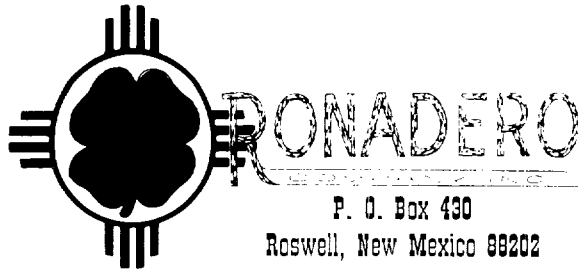
DICKERSON, FISK & VANDIVER

A handwritten signature in cursive script that reads "Chad Dickerson".

Chad Dickerson

CD:pvw
Enclosures

cc w/enclosure: Mr. Cy Cowan



HAND DELIVERED

RECEIVED

APR 25 1989

OIL CONSERVATION DIVISION

April 24, 1989

Oil Conservation Division
State Land Office Building
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Attn: April 26, 1989 Docket Examiner

Re: CASE 9657
Examiner Hearing - April 26, 1989
Application of Yates Petroleum Corporation
for compulsory pooling -
Township 7 South, Range 23 East, N.M.P.M.:
Section 28: SW $\frac{1}{4}$
Chaves County, New Mexico

Gentlemen:

In reference to the captioned case, Ronadero Company, Inc. is owner of an oil and gas lease covering the 100% or full interest under the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of the captioned Section 28 (being a 40 acre tract) located within the captioned proposed 160-acre spacing unit (copy of recorded lease attached).

Attached is a copy of our 4/20/89 letter to Yates Petroleum Corporation in which we offered to sell the oil and gas lease in question. Also enclosed is a copy of a letter from Yates Petroleum Corporation to Ronadero Company, Inc. dated 4/21/89 which furnishes certain information but does not elude to whether or not they are interested in acquiring the oil and gas lease as submitted in Ronadero Company, Inc.'s 4/20/89 letter.

Should the captioned application be approved, then Ronadero Company, Inc. would request the minimum risk penalty allowed because of the following factors:

April 24, 1989

- 1) The proposed test well is a field development well.
- 2) The proposed well is a very low-risk venture.
- 3) The direct offsetting well has produced approximately 300 MMCFG being one of the top producers of 9 producing wells within 1 mile radius of the proposed well.
- 4) Ronadero Company, Inc., in its opinion, has made a reasonable offer to the applicant in an attempt to avoid being a party to a force pooling action.

Very truly yours,

RONADERO COMPANY, INC.


Robert G. Hanagan

RGH/drs

Enc.

OIL & GAS LEASE

THIS AGREEMENT made this 15th day of April 19 89, between
William E. Corn, a single man

of Roswell, New Mexico
(Post Office Address)

herein called lessor (whether one or more) and Ronadero Company, Inc., lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in

Chaves

County, New Mexico, to-wit:

Township 7 South, Range 23 East, N.M.P.M.:
Section 28: NE $\frac{1}{4}$ SW $\frac{1}{4}$

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 40.0 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) year from this date (called "primary term"), and as long thereafter as oil or gas is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, one-fourth (1/4) of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-fourth (1/4) of the gas used, provided that on gas sold on or off the premises the royalty shall be one-fourth (1/4) of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 40.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the

UNITED NEW MEXICO BANK AT ROSWELL

at P. O. Box 1977, Roswell, New Mexico 88202, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/heir successors, heirs, and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

William E. Corn
William E. Corn

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
County of _____
STATE OF NEW MEXICO,
COUNTY OF _____
My Commission expires _____, 19____
Notary Public

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
County of _____
STATE OF NEW MEXICO,
COUNTY OF _____
My Commission expires _____, 19____
Notary Public

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County of _____
STATE OF NEW MEXICO,
COUNTY OF _____
My Commission expires _____, 19____
Notary Public

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
County of _____
STATE OF NEW MEXICO,
COUNTY OF _____
My Commission expires _____, 19____
Notary Public

No. _____
OIL AND GAS LEASE
NEW MEXICO
FROM
TO
Date _____, 19____
Section _____, Township _____, Range _____
No. of Acres _____ County, New Mexico
Term _____
STATE OF NEW MEXICO
COUNTY OF Chaves
I hereby certify that this instrument was filed for record on the 20th day of April, A. D., 1989, at 10:07 o'clock A. m., and was duly recorded in Book 54 at Page 743 Clerk's Office of the Records of said County.
Rhoda Goodloe, County Clerk.
By _____ Deputy.
Rct #64442 \$7.00 Ronadero Co., Inc.
PO Box 430
Roswell, NM 88202

STATE OF NEW MEXICO
County of _____
The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____
of _____ on behalf of said corporation.
My Commission Expires: _____
Notary Public
CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____
of _____ on behalf of said corporation.
My Commission Expires: _____
Notary Public
CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)



April 20, 1989

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Attn: Cy Cowan, Assoc. Landman

Re: Oil and Gas Lease Submittal
Township 7 South, Range 23 East, N.M.P.M.:
Section 7: NE $\frac{1}{4}$ SW $\frac{1}{4}$
containing 40.0 acres, more or less
Chaves County, New Mexico

Gentlemen:

Ronadero Company, Inc. is the owner of the above captioned oil and gas lease (copy attached) and hereby offers an assignment of same, subject to prior sale and withdrawal without notice on the following basis:

- 1) Full Bonus Consideration of Two Hundred Dollars (\$200.00) per net acre (40.0 acres x \$200.00 = \$8,000.00).
- 2) Delivery of a 75% net revenue lease.

Should Yates Petroleum Corporation have an interest in this proposal, please contact me at your earliest convenience.

Very truly yours,

RONADERO COMPANY, INC.

Robert W. Hanagan

RWH/drs

ENC.

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

April 21, 1989

Ronadero Company Inc.
P. O. Box 430
Roswell, New Mexico 88202

Attention: Mr. Robert Hanagan

Re: Township 7 South, Range 23 East, NMPM
Section 7: NE $\frac{1}{4}$ SW $\frac{1}{4}$
Chaves County, New Mexico

Gentlemen:

Thank you for your letter of April 20, 1989, outlining your proposal for assigning the captioned acreage. In the event Mr. Corn did not furnish you with the documents I sent to him, enclosed please find:

1. Operating Agreement for our proposed Bajillo Draw "WQ" State #4 well.
2. Two copies of the Authority for Expenditure.
3. One copy of the Compulsory Pooling Notice.

Please be advised the captioned acreage is scheduled for hearing on Wednesday, April 26, 1989 in Santa Fe.

Should you have any questions please contact me.

Thank you for your concern in this matter.

Very truly yours,

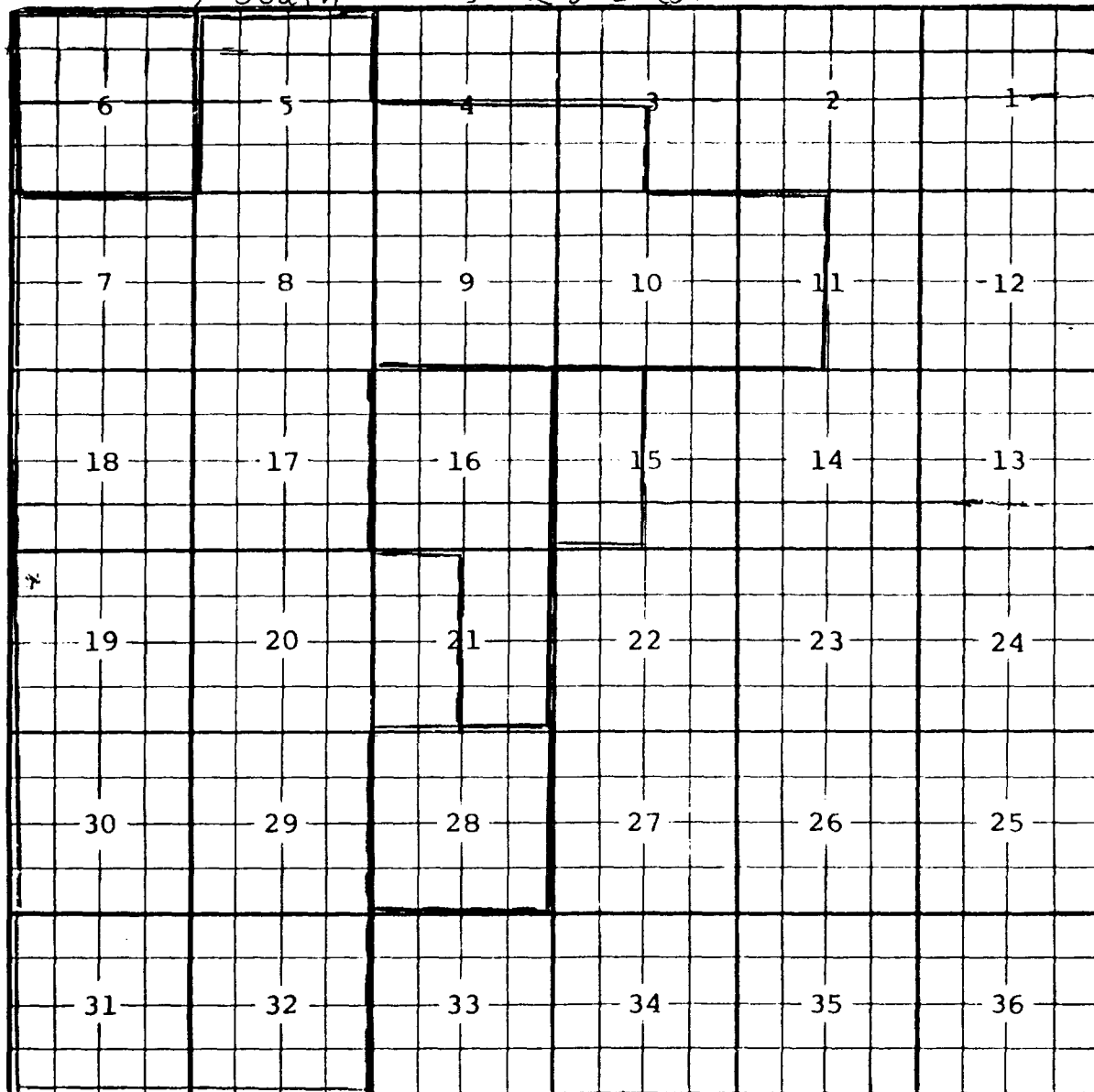
YATES PETROLEUM CORPORATION

Cy Cowan
Associate Landman

CC/bp
Enclosures

County Chaves Pool West Pecos Slope - Abc Gas

TOWNSHIP 7 South Range 23 East NMPM



Ext: $\frac{SW}{4}$ Sec. 3, $\frac{SE}{2}$ Sec. 4, All Sec. 5, All Secs. 7 through 10, $\frac{W}{2}$ Sec. 11,
All Secs. 17 through 20, $\frac{W}{2}$ Sec. 21, All Secs. 29 through 32 (R-7131, 11-30-82)
Ext: All Sec. 16, $\frac{E}{2}$ Sec. 21 (R-7248, 3-30-83)
Ext: All Sec. 6, All Sec. 28 (R-7322, 8-1-83) Ext: $\frac{W}{2}$ Sec. 15 (R-7351, 9-19-83)

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

26 April 1989

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corp- CASE
oration for compulsory pooling, 9657
Chaves County, New Mexico.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

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
For Yates Petroleum Corporation:	Chad Dickerson Attorney at Law DICKERSON, FISK & VANDIVER Seventh & Mahone/Suite E Artesia, New Mexico 88210

I N D E X

CY COWAN

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DAVID BONEAU

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LESLIE BENTZ

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E X H I B I T S

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Yates Exhibit Four, Operating Agreement	15
Yates Exhibit Five, AFE	16
Yates Exhibit Six, Land Map	21
Yates Exhibit Seven, Listing	22
Yates Exhibit Eight, Printout	23
Yates Exhibit Nine, Printout	24
Yates Exhibit Ten, Isolith Map	29

1 MR. CATANACH: At this time
2 we'll call Case 9657.

3 MR. STOVALL: Application of
4 Yates Petroleum Corporation for compulsory pooling, Chaves
5 County, New Mexico.

6 MR. CATANACH: Are there ap-
7 pearances in this case?

8 MR. DICKERSON: Mr. Examiner,
9 I'm Chad Dickerson of Artesia on behalf of Yates Petroleum
10 Corporation and I have two witnesses.

11 MR. CATANACH: Any other ap-
12 pearances?

13 Will the witnesses please
14 stand and be sworn in?

15
16 (Witnesses sworn.)

17
18 MR. CATANACH: Mr. Dickerson?

19
20 CY COWAN,
21 being called as a witness and being duly sworn upon his
22 oath, testified as follows, to-wit:
23
24
25

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Mr. Cowan, will you state your full name?

A My name is Cy Cowan.

Q C-O-W-A-N?

A That's C-Y C-O-W-A-N.

Q And how are you employed and by whom, Mr. Cowan?

A I'm employed by Yates Petroleum Corporation as an associate landman.

Q And how long have you been employed in that capacity?

A For the last year.

Q And as part of your duties as a landman for Yates Petroleum Corporation do include the Township 7 South, 23 East area of Chaves County, New Mexico, which is the subject of this hearing?

A Yes, sir.

Q And have you familiarized yourself with the land title situation regarding the ownership of various interests within the well which is the subject of this hearing?

A Yes.

MR. DICKERSON: We tender Mr.

1 Cowan as a landman, Mr. Catanach.

2 MR. CATANACH: He is so qual-
3 ified.

4 Q Mr. Cowan, will you summarize the pur-
5 pose of Yates' application in Case 9657 for us?

6 A Right. Yates Petroleum in the above
7 styled case seeks to -- seeks an order pooling all mineral
8 interests from the surface to the base of the West Pecos
9 Slope Abo Gas Pool, underlying the southwest quarter of
10 Section 28, Township 17 South, Range 23 East, to form a
11 standard 160-acre oil and gas spacing and proration unit
12 for any and all formations and pools developed on 160-acre
13 spacing.

14 Said unit is to be dedicated to a well
15 to be drilled at a standard gas well location thereon.

16 Also to be considered will be the cost
17 of drilling and completing said well and the allocation of
18 the cost thereof as well as actual operating costs and
19 charges for supervision, designation of applicant as opera-
20 tor of the well and charges for risk involved in drilling
21 said well.

22 Q All right, Mr. Cowan, identify what we
23 have submitted as Exhibit Number One and review this land
24 plat for Mr. Catanach.

25 A Exhibit Number One is a land plat of

1 Township 7 South, 23 East, in Chaves County, New Mexico.
2 We are interested in Section 28 in the southwest quarter.

3 On the exhibit it shows Yates Petro-
4 leum's lease in yellow in the southwest quarter of the
5 southwest; the red dot designating the location of the
6 proposed well.

7 The acreage in the northeast of the
8 southwest is owned by Mr. Corn.

9 Q He owns all the minerals under that
10 40-acre tract?

11 A All the minerals under the 40-acre
12 tract, yes, sir.

13 Q And the balance of the 120 acres within
14 the spacing unit all owned and controlled by Yates Petro-
15 leum Corporation or other of its related corporations?

16 A Yes, sir.

17 Q What is the footage location of your
18 proposed well?

19 A The proposed well is located 760 feet
20 from the south line and 990 feet from the west line.

21 MR. DICKERSON: Mr. Catanach,
22 Exhibit Number Two is an affidavit of mailing by my office
23 pursuant to Rule 1207, which shows that the application of
24 Yates in this case was mailed to Mr. Corn on March 22,
25 1989, and you'll note that the return receipt is signed by

1 him acknowledging acceptance of that delivery on March
2 24th, 1989.

3 Q Mr. Cowan, identify the packet that we
4 have submitted as Yates Exhibit Number Three and review it
5 for Mr. Catanach.

6 A Exhibit Number Three is correspondence
7 between Yates Petroleum to Mr. Corn and other parties.

8 I'd like to start out with the letter
9 dated January 23rd, which is at the back of the packet
10 right before the operating agreement.

11 The letter is dated January 23, 1988,
12 that is a typo. It should have been January 23rd, 1989,
13 where I wrote a letter to Mr. Corn offering to take a lease
14 from him on 3/16ths royalty and a 90-day lease term and
15 asking him to contact me.

16 Q His interest in the minerals underlying
17 the northeast quarter of the southwest quarter were
18 unleased at that time?

19 A Yes, sir.

20 Q Have you had previous contacts with Mr.
21 Corn in attempting to obtain an oil and gas lease covering
22 that tract?

23 A Yes, sir. When I first hired on this
24 job last May, I contacted Mr. Corn on the phone and I
25 talked to him a couple of times.

1 After that I lost all contact with Mr.
2 Corn. I tried to contact him several times over the last,
3 you know, the months following. I got an answering
4 machine. I left my name and number asking him to call.

5 Q Did he ever return your call?

6 A No, sir.

7 Q Approximately how many attempts by
8 telephone prior to January 23rd had you made to contact Mr.
9 Corn?

10 A Probably at least six. I also tried to
11 contact relatives of the Corn family, maybe not direct rel-
12 atives of Mr. Corn, a member of the Corn family, Mrs.
13 Bronson Corn. I called before January 23rd asking her as-
14 sistance in getting a phone number for Mr. Corn.

15 After -- after January 23rd I continued
16 to call Mr. Corn leaving my name on his answering machine
17 with his -- with my number and at one point again I called
18 Mrs. Bronson Corn and also David -- Mrs. David Glenn Corn
19 in an attempt to contact Mr. Corn asking him to get back
20 with me.

21 Q But he never responded to any of those
22 attempts?

23 A Never responded.

24 Q How many times approximately did you ac-
25 tually get to talk to the gentleman on the telephone?

1 A Two.

2 Q Did he express to you any indication of
3 the -- that he had an objection to executing an oil and
4 gas lease, the nature of that objection, or --

5 A He wanted different terms.

6 Q The primary term of the lease?

7 A Right, he wanted to know the primary
8 term of the lease and I told him I would get back with him
9 on the term. I just started doing this and he wanted --

10 Q What primary term were you initially
11 proposing?

12 A Well, actually I didn't propose one.
13 I'm very green at this. This is my first actual job and I
14 just went and discussed things but did not talk about a
15 primary term. He asked me to get with the Yates' and con-
16 tact him again.

17 Q So evidently he was interested in a rel-
18 atively short primary term that would be ordinarily what a
19 mineral interest owner would prefer, would it not, and in
20 your January 23rd letter the primary term set forth that
21 you proposed in that was for a primary term of 90 days.

22 A Yes, sir.

23 Q That's an indication that Yates Petro-
24 leum Corporation was proposing to drill a well within that
25 90-day period.

1 A Yes, sir.

2 Q All right, continue with Exhibit Number
3 3 and tell us what's contained in it.

4 A A letter dated April 3rd, 1989, I wrote
5 to Mr. Corn advising him that we'd filed a compulsory
6 hearing and again asking him to -- telling him, asking him
7 to let us have a lease, let us take a lease from him at the
8 same 3/16ths and 90-day term and I also advised him that I
9 would be sending him an operating agreement and an AFE
10 under separate cover should he wish to join us in the
11 drilling of this well and the last thing, I said, would you
12 please contain me collect, with my phone number, at his
13 convenience.

14 Q And have you had any contact with him
15 since that time?

16 Q No, sir.

17 Q All right, what's the next letter in the
18 packet?

19 A A letter dated April 10th I wrote to Mr.
20 Corn and this is a letter in which I sent -- sent him the
21 AFE and the operating agreement which I promised him
22 earlier and I asked him once again to participate with us
23 or let us take a lease from him and the last thing I said
24 once again, please contact me collect, and my phone number,
25 at your earliest convenience.

1 Q And was there any response from Mr. Corn
2 to that letter?

3 A No, sir.

4 Q All right, tell us about the next cor-
5 respondence you have with him.

6 A I list -- had an opportunity to get to-
7 gether a signed signature page with all the Yates entities
8 on it; I sent it to Mr. Corn once again to get his atten-
9 tion that we would like to take a lease from him or would
10 like him to participate with us. Therefore I sent him this
11 signature page to get his attention and the last thing I
12 said, would you please contact me collect, my phone number,
13 or by mail at the above address.

14 Q You're now referring to the letter dated
15 April 18th, 1989?

16 A I'm sorry, yes, sir, April 18th, 1989.

17 Q All right. And what was the next cor-
18 respondence you had with anyone regarding this unleased
19 mineral interest?

20 A On April 20th I received a letter from
21 Ronadero Company of Roswell, New Mexico.

22 Q Now, had -- prior to April 20th had you
23 contacted Ronadero for any purpose?

24 A Yes.

25 Q And what was the nature of that contact?

1 A The contact was going through an old
2 file we had I found a letter to Ronadero from another
3 landman at Yates Petroleum back in 1983. They were also
4 trying to lease from Mr. Corn at that time. As a last
5 ditch effort I called Ronadero to say, hey, could you put
6 me in contact with Mr. Corn? I understand he's at his
7 ranch a lot, maybe they had a phone number, another
8 address, some way to get in touch with Mr. Corn.

9 Q So approximately when was this that you
10 called Ronadero?

11 A March 13th.

12 Q All right, and who did you speak with at
13 Ronadero?

14 A Mr. Robert W. Hanagan. Well, excuse me,
15 I'm sorry. I talked with the secretary that time. Mr.
16 Hanagan was out of the office.

17 Q You left a message?

18 A Yes, I did. I told her my plight. I
19 was interested in getting in touch with Mr. Corn. She
20 asked the nature of the deal and I visited with her about
21 that.

22 Q Was there any response from Ronadero by
23 telephone to you?

24 A Two weeks later Mr. Hanagan called me
25 and said he would try and put me in touch with Mr. Corn.

1 Q Mr. Robert Hanagan that you previously
2 mentioned?

3 A Yes, Mr. Robert Hanagan.

4 Q So when would that have been that he
5 told you that?

6 A It was before April 20th that I received
7 this letter, it was probably several days before that.

8 Q All right, identify the letter and tell
9 us what it contains.

10 A I received a letter on April 20th from
11 Ronadero Company of Roswell, to my attention, saying that
12 Ronadero had become the owner of the captioned lease pre-
13 viously owned by Mr. Corn and they were offering us a
14 chance to get an assignment of this lease.

15 Q For -- to purchase an assignment from
16 Ronadero.

17 A To purchase, right.

18 Q And at a price of \$200 per acre, or
19 \$8000.

20 A That's correct.

21 Q Is Yates Petroleum Corporation willing
22 to purchase the lease under these circumstances from Rona-
23 dero for \$8000 covering that tract?

24 A No, sir.

25 Q The oil and gas lease which is attached

1 to that letter dated April 20th of last week, it is dated
2 April 15th, is it not?

3 A Yes, it is.

4 Q And it does show to be recorded in
5 Chaves County on April 20th, 1989, doesn't it, Mr. Cowan?

6 A Yes, sir.

7 Q So approximately one month after -- or
8 actually in excess of two months after your first written
9 attempt to obtain an oil and gas lease from Mr. Corn, and
10 approximately one month after the notice of this hearing
11 was signed for by him, Ronadero took the oil and gas lease
12 that you'd been seeking to obtain?

13 A Yes, sir.

14 Q All right, and then attempted to sell to
15 Yates Petroleum Corporation for \$8000?

16 A Yes, sir.

17 Q All right, and what is your last letter
18 which is contained in Exhibit Number Three?

19 A Okay, my letter dated April 21st, 1989,
20 to Ronadero, Attention Mr. Robert Hanagan. I advised him
21 that this acreage was still up for the forced pooling hear-
22 ing and I sent to Mr. Hanagan an operating agreement and
23 two copies of an AFE and a copy of our compulsory pooling
24 notice telling him when the hearing would be and asking him
25 to contact me if he had any questions.

1 Q And has he contacted you?

2 A No, sir.

3 Q Has Ronadero given any indication of
4 whether or not it intends to participate with its leased
5 mineral interest in this proposed Abo well?

6 A No, sir.

7 Q But Yates continues to extend the option
8 and recognizes that Ronadero has the option to participate
9 with its 25 percent interest if it desires to do so?

10 A Yes, sir.

11 Q Identify the joint operating submitted
12 as Exhibit Number Four, Mr. Cowan, and review this for us,
13 briefly.

14 A Okay. This model operating agreement
15 for the Bajillo Draw State No. 4 Well is our standard oper-
16 ating agreement we use, APL Form 610, 1977.

17 Q All right, refer to Exhibit A towards
18 the last of that operating agreement and review for Mr.
19 Catanach the ownership interest of the parties within the
20 spacing unit.

21 A Exhibit A covers Section 28, the south-
22 west quarter, Township 7 South, Range 23 East. It shows
23 the percentages under Item 2 of the different Yates enti-
24 ties in the well, Yates Petroleum, Yates Drilling, Abo
25 Petroleum Corporation, Lilly M. Yates, and the Estate of

1 Martin Yates, III, and also Ronadero Company, Incorporated.

2 Q With its 25 percent interest as the
3 result of the oil and gas lease previously shown.

4 A Yes, sir.

5 Q All right, Exhibit C for that joint
6 operating agreement is a COPAS accounting procedure form,
7 Mr. Cowan. Would you point out to Mr. Catanach the over-
8 head supervision rates requested for Yates Petroleum Cor-
9 poration's operations for the drilling of this well?

10 A Our overhead rates requested for this
11 well are \$2900 per month for drilling well rate and \$290 a
12 month for a producing well rate.

13 Q Now, Yates Petroleum Corporation has
14 drilled numerous Abo wells that will be testified to by
15 another witness in this area, has it not, Mr. Cowan?

16 A Yes, sir.

17 Q And are those rates consistent with the
18 rates Yates charges for overhead supervision in wells in
19 this area at the current time at this depth?

20 A Yes, sir.

21 Q All right. Identify Exhibit Number Five
22 and tell us what it is and what it shows.

23 A Exhibit Number Five is an Authority for
24 Expenditure covering the proposed Bajillo Draw WT State No.
25 4 Well and this prepared by our Engineering Department,

1 showing dry hole costs for this well at \$111,000 and a
2 completed well cost of \$102,000.

3 Q \$202,000.

4 A Excuse me, \$202,000.

5 Q And again Ronadero's 25 percent inter-
6 est is reflected in that AFE?

7 A Yes, sir.

8 Q Is this the same AFE that you had pre-
9 viously furnished to Mr. Corn with the exception of his
10 interest and Ronadero's being switched and previously fur-
11 nished to Ronadero, as well?

12 A Yes, it is, but I had to revise it and
13 change the well location. It had the wrong well location
14 on it, but other than that it was the exact same AFE.

15 Q All right, and the cost reflected on
16 that AFE are those obtained by the Yates experience in
17 drilling Abo wells in this area?

18 A Yes, sir.

19 Q And those costs are the reasonable and
20 necessary costs to drill an Abo well at this time in this
21 area from the Yates Engineering Department?

22 A Yes, sir.

23 MR. DICKERSON: Mr. Catanach,
24 I would move the admission of Yates Exhibits One through
25 Five at this time and I have nothing further of Mr. Cowan.

1 MR. CATANACH: Exhibits One
2 through Five will be admitted as evidence.

3 MR. STOVALL: I do have --
4 it's -- it's in the form of a question, first I'll direct
5 to you, Mr. Dickerson --

6 MR. DICKERSON: Uh-huh.

7 MR. STOVALL: -- a copy of a
8 letter received by the Division and ask if you received
9 that?

10 MR. DICKERSON: No, sir, I did
11 not and I notice I have made a copy myself when I learned
12 --

13 MR. STOVALL: You have --
14 you're aware of it?

15 MR. DICKERSON: Yes, sir, and
16 I have made a copy of it and I am aware of it now. I was
17 not until we came to this hearing this morning.

18 MR. STOVALL: That's really
19 all I have, to make sure he was aware of this and it will
20 part of the file but of course not presented as an exhibit.

21 MR. DICKERSON: Right. Yes,
22 that's satisfactory with us, Mr. Stovall.

23 MR. STOVALL: Let me -- let
24 me, excuse me, one thing further, Chad, just for the re-
25 cord, Sally, let me identify this letter more clearly.

1 This is a letter from Rona-
2 dero Company, Inc., signed by Mr. Robert G. Hanagan, dated
3 April 24th, 1989, addressed to the Oil Conservation Divi-
4 sion and references this case.

5
6 CROSS EXAMINATION

7 BY MR. CATANACH:

8 Q Mr. Cowan, when did the Ronadero take
9 control of that lease, to your knowledge?

10 A The lease was signed April 15th, 1989.

11 MR. STOVALL: Mr. Examiner, if
12 I may, a copy of that lease is attached to the letter which
13 I have just referenced.

14 MR. DICKERSON: It is also
15 attached as part of our Exhibit Number Three, Mr. Catanach,
16 and the acknowledgement to it was executed on April 15th,
17 1989. It shows to have been recorded on April 20th, 1989,
18 and was furnished to Yates by a letter of that same date.

19 MR. CATANACH: I have no fur-
20 ther questions.

21
22 DAVID BONEAU,
23 being called as a witness and being duly sworn upon his
24 oath, testified as follows, to-wit:
25

1 DIRECT EXAMINATION

2 BY MR. DICKERSON:

3 Q Mr. Boneau, will you state your full
4 name, your occupation and by whom you're employed?5 A My name is David Francis Boneau. I work
6 for Yates Petroleum Corporation in Artesia, New Mexico, as
7 Engineering Manager.8 Q Mr. Boneau, you have previously testi-
9 fied before this Division on numerous occasions but for the
10 record will you briefly summarize your educational and em-
11 ployment background for Mr. Catanach?12 A Yes. I have a BS in physics from the
13 University of Notre Dame in 1962. I have a PhD in physics
14 from Iowa State University in 1969.15 I worked for 12 years for Phillips Pet-
16 roleum in Bartlesville, Oklahoma, and in Odessa, Texas.17 Since 1980 I've worked for Yates Petro-
18 leum as Reservoir Supervisor and Engineering Manager.19 Experience that is probably relevant to
20 this case are things like I've written an SPE paper on Re-
21 serves in the Pecos Slope Abo Field. I was the engineering
22 witness for the hearing where the tight gas designation for
23 a large area in the Pecos Slope was presented before this
24 commission several years ago, so I do have experience in
25 the Pecos Slope Abo area.

1 Q All right, and specifically with regard
2 to the southwest quarter of Section 28, 7 South, 23 East,
3 have you made an engineering evaluation of the wells
4 drilled and producing in that area for the purpose of
5 testifying with respect to a proposed risk penalty here
6 today?

7 A Yes, sir, I have done that.

8 MR. DICKERSON: Tender Mr.
9 Boneau as an expert reservoir engineer.

10 MR. CATANACH: He is so qual-
11 ified.

12 Q Mr. Boneau, will you identify what we
13 have submitted to the Examiner as Yates Exhibit Number Six
14 and review this for him?

15 A Exhibit Six is a land map of the area
16 around the proposed Bajillo Draw State No. 4 Well. The
17 purpose is to call your attention to a 25-section area
18 centered on Section 28 where the proposed well will be
19 drilled.

20 The numbers that are under the well
21 locations are the ultimate reserves in millions of cubic
22 feet for the wells within that 25-section area.

23 Q All right, specifically direct our at-
24 tention to the southwest quarter of Section 28 and review
25 the closest wells for the Examiner as regarding their cumu-

1 lative reserves as you have calculated them.

2 A Okay. There is another exhibit which
3 has all these reserves listed in a tabular listing.

4 Q That is Exhibit Number Seven?

5 A That's Exhibit Number Seven.

6 Q All right, review that for us.

7 A The average reserves of the 38 wells
8 around the proposed location are 243-million cubic feet of
9 gas.

10 The average reserves are 282-million
11 cubic feet of gas in a smaller 9-section area that's --
12 that's more central to -- to the location we're talking
13 about.

14 The reserves range from zero for the one
15 dry hole to a maximum of 730-million.

16 The point is that you're not going to
17 get many dry holes. You're not going to get 1-to-2 BCF.
18 You're not going to get super wells. You're going to get
19 these quarter to half BCF wells in this -- in this region.
20 The expected reserves from the well that we're proposing to
21 drill, I estimate to be 243 to 282 or maybe 300-million
22 cubic feet of gas. That's the kind of reserves that we're
23 looking at in this well. That's pretty much the purpose of
24 Exhibits Six and Seven.

25 Q All right, identify Exhibit Number Eight

1 and tell us what calculations you have made on that exhibit.
2

3 A Exhibit Number Eight is a computer
4 printout of an economic calculation and there are very many
5 numbers there. I'd like to point out a couple of them I
6 consider significant.

7 Exhibit Eight is for the case of
8 243-million cubic feet of reserves. The -- that well, if
9 we drill and get that well, we will make a rate of return
10 of 6 percent, less than you get when you put your money in
11 the bank.

12 The -- the revenue, the total revenue
13 from the well would be, it says \$444,000 at the bottom of
14 column 2, 4, 6, Column 8, I believe. I'm not asking anyone
15 to really follow this. I'd like to point out that there
16 are some -- some numbers in there.

17 The main one, or the rate of return,
18 will be 6 percent, barely an economic well. The absolute
19 income from the well will be \$444,000, of course less ex-
20 penses, drilling costs, operating costs, taxes, et cetera,
21 royalties.

22 This well is barely a break-even well.

23 Q The average --

24 A The average well --

25 Q -- but your assumed reserves of the

1 average well in the area shown on Exhibit Number Eight?

2 A It is a break-even well and also Exhibit
3 Seven shows that you've really got less than half a chance
4 of getting a break-even well. I think 21 out of these 38
5 numbers are -- show reserves of less than 243-million cubic
6 feet.

7 Q How does that fact bear on the risk
8 penalty that should be imposed in this proceeding?

9 A The risk -- we admit the risk of getting
10 a dry hole is low but there -- the risk -- there is a large
11 risk in getting an economic well at this location and so
12 the risk penalty should be high.

13 Q Are you ready to review Exhibit Number
14 Nine, Mr. Boneau?

15 A Yes, I am.

16 Q Review that for us, please.

17 A Exhibit Nine is the similar economic
18 printout for the case where the reserves are 282-billion
19 cubic feet and this is the range of a kind of well that
20 we're hoping and expecting to get. A well with those re-
21 serves will give us a rate of return of 15 percent on our
22 money, which is at the low range of acceptable. It's a
23 project that we would do.

24 The total revenue from the project is
25 about \$510,000. When you take away all the operating

1 costs, et cetera, our net cash flow is going to be \$98,000
2 and that simply is not enough to support purchasing the
3 leases for, well, \$32,000, if you had to purchase all 160
4 acres at \$200 an acre, you could not do it even for this,
5 what I'm calling an economic well.

6 Q All right, based on your study that you
7 have described, Mr. Boneau, what conclusions do you draw
8 and what recommendation would you make to the Examiner as
9 an appropriate risk penalty factor to be imposed upon the
10 interest of Ronadero in this proceeding?

11 A The testimony has addressed what I would
12 call economic risk, mostly in the area of reserves. There
13 simply is a large risk that the required 300-million cubic
14 feet of reserves will not be there.

15 There are other risks involved, in
16 prices, the prices in the area have fallen from \$6.00 to
17 (not clearly understood) of the State because of the
18 presence of small amounts of arsenic in the gas from the
19 Pecos Slope Abo. The field was totally shut in for six
20 months in 1988. The arsenic problem was a unique problem
21 and there's not a standard way to treat it, so the gas is
22 being treated now but the technology really isn't yet
23 proven and so there's a risk that problem may pop up again.

24 There's some mechanical risk in drilling
25 the well. There's some geological risk in finding a

1 channel sand that will produce. All those are additional
2 considerations but just the economic risk that I've de-
3 scribed tells me that the penalty should be high; should be
4 the 200 percent.

5 Q The maximum 200 percent permitted by our
6 statute?

7 A Yes, sir.

8 Q And that would be your recommendation to
9 Mr. Catanach?

10 A Yes, sir.

11 MR. DICKERSON: Mr. Catanach,
12 I would move admission of Yates Exhibits Six, Seven, Eight
13 and Nine at this time. I have no further questions of Mr.
14 Boneau.

15 MR. CATANACH: Exhibits Six,
16 Seven, Eight and Nine will be admitted as evidence.

17

18 CROSS EXAMINATION

19 BY MR. CATANACH:

20 Q Mr. Boneau, is geology a factor in de-
21 termining reserves under this -- in these wells? Is -- is
22 the sand thickness a factor?

23 A Yes, surely. Yes, it is.

24 Q You don't have any evidence that shows
25 the geologic end of this in your reserve calculations. Do

1 you know how much sands that you might encounter at your --
2 at your location?

3 A These are -- these are river sands
4 deposited in meandering channels and all of the geologists,
5 geologists who -- is to estimate these things, it's always
6 a guess to estimate. I thought it would be more appro-
7 priate in this case to give you a statistical picture of a
8 bigger area rather than trying to guess where this river
9 channel went.

10 Obviously, you know, if you look in
11 Section 29 on my Exhibit Six, and you see there are three
12 wells with 441, 415, 432 in a north-south direction,
13 there's a pretty good channel there.

14 In Section 28 the reserves are lower
15 numbers, 176, 54, 142.

16 The geological question is does the
17 channel in Section 29 bend over by our location or not, you
18 know. I could give you my opinion on that, I could give you
19 a geologist's opinion on that, but it's an opinion. I
20 think that a statistical picture of the numbers is a more,
21 you know, objective way to approach the question and that's
22 why I came with that kind of argument.

23 MR. DICKERSON: Mr. Catanach,
24 if you're interested in pursuing it, I do have Ms. Leslie
25 Bentz here, who is the geologist for Yates and she is fami-

1 liar with this area, if you desire to ask her any ques-
2 tions.

3 MR. CATANACH: But you don't
4 have any evidence to put on, as far as the geologic data.

5 MR. CATANACH No, sir.

6 MS. BENTZ: I have a map that
7 will be included in another case today covering this area.

8 MR. CATANACH: Let's go ahead
9 and do that, Mr. Dickerson.

10 MR. DICKERSON: All right.

11 She needs to be sworn, Mr.
12 Catanach.

13

14 (Ms. Bentz sworn.)

15

16

LESLIE BENTZ,

17 being called as a witness and being duly sworn upon her
18 oath, testified as follows, to-wit:

19

20

DIRECT EXAMINATION

21

BY MR. DICKERSON:

22

Q Ms. Bentz, will you state your name,
23 your occupation, and by whom you're employed, please?

24

A Yes. My name is Leslie Bentz. I'm
25 employed by Yates Petroleum Corporation of Artesia, New

1 Mexico, as a petroleum geologist.

2 Q And you have previously testified as a
3 geologist here many times, have you not?

4 A Yes, I have.

5 Q As a geologist are you familiar with the
6 geological data available in the subject area?

7 A Yes, I am.

8 Q How about if we mark your exhibit Number
9 Ten. Let's mark it on there.

10 A Would it be possible to keep this exhi-
11 bit until after the -- we do our other cases? It's my
12 personal copy.

13 Q We've got other copies, though, and we
14 could --

15 A Not with all these --

16 Q What I'd like to do is hand this to
17 David so that could see it and you review it for him, if
18 you would.

19 A Or could we give him another copy and
20 get mine back? Mine has numbers and stuff written on it
21 that are not on --

22 MR. DICKERSON: Mr. Catanach,
23 what I would propose, we have not made sufficient copies
24 and so forth to use it, but if you will admit it into
25 evidence, return it to Ms. Bentz for her use in the subse-

1 quent cases, we will then submit copies to you but you
2 might as well go ahead and admit it.

3 MR. CATANACH: That will be
4 fine.

5 Q Ms. Bentz, review the map that we have
6 submitted to Mr Catanach as Yates Exhibit Number Ten,
7 please.

8 A Okay. Exhibit Number Ten is a net iso-
9 lith map of channel sandstones within the Abo formation.
10 The contour interval used is 10 feet.

11 The circles show the datum points, the
12 circles that are colored in red show the producing Abo
13 wells surrounding this well.

14 I don't have my map right in front of me
15 but it shows that you -- we are expecting somewhere between
16 30 and 40 feet of net sand.

17 Q Review the other wells in the area as to
18 the net pay that you encountered, if you have that informa-
19 tion, Ms. Bentz.

20 A In Section 28 the well in the northwest
21 quarter encountered 41 feet of sand. The well in the
22 northeast quarter encountered 14 feet of sand. The well in
23 the southeast quarter encountered 31 feet of sand.

24 I suspect at this location that we will
25 encounter, or hopefully encounter, somewhere between 30 and

1 40 feet of sand but as proven by the section to the north
2 and Section 28, in the section to the north you've gone
3 from 38 feet in the southwest quarter to 8 feet in the
4 northwest quarter.

5 From Section 28 to 27 the well in the
6 southwest -- southeast quarter encountered 31 feet of sand.
7 The well in the diagonal 160 encountered 7 feet of sand and
8 was a dry hole.

9 We do not have very much control to the
10 south except the well in Section 33 and it did encounter 53
11 feet of sand.

12 Q What about the wells in the east half of
13 Section 29 immediately adjoining the spacing unit to the
14 west?

15 A That is not presented on this map. This
16 is -- the map is made for a different purpose.

17 Q So with -- comparing your net sand
18 figures, Ms. Bentz, to the cumulative reserves previously
19 calculated by Mr. Boneau, the well in the northeast quarter
20 of Section 28 with 41 net feet of sand, he calculated as
21 containing 176-million feet of reserves, which was below
22 the average well in the area, was it not?

23 A Yes, it was.

24 Q And then you anticipate obtaining be-
25 tween 30 and 40 net feet of sand in your projected well,

1 which would be roughly comparable to the offset in the
2 southwest or the southeast quarter of Section 28.

3 A Right.

4 Q Which Mr. Boneau calculated contained
5 142-million net feet of --

6 A That's correct.

7 Q -- reserves, somewhat more than --
8 slightly more than half of the average reserves of the
9 wells in the entire area.

10 A That's correct.

11 MR. DICKERSON: Mr. Catanach,
12 I have no further questions of Ms. Bentz.

13 MR. CATANACH: I have no ques-
14 tions of the witness.

15 That will be Exhibit Ten?

16 MR. DICKERSON: Yes, sir.

17 MR. CATANACH: Exhibit Ten will
18 be admitted into evidence.

19 MR. DICKERSON: That concludes
20 our case, Mr. Examiner.

21 MR. CATANACH: There being
22 nothing further, this Case 9657 will be taken under advise-
23 ment.

24

25 (Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division (Commission) was reported by me;
that the said transcript is a full, true and correct record
of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 9657,
heard by me on April 26 1988.

David R. Catanaek, Examiner
Oil Conservation Division