

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASE 9923, CASE 9924, CASE 9926,

CASE 9927, CASE 9911, CASE 9930,

CASE 9931, CASE 9918, CASE 9919,

CASE 9907, CASE 9898

EXAMINER HEARING

IN THE MATTER OF:

Continued Cases

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

May 2, 1990

1 WHEREUPON, the following proceedings were had
2 at 8:20 a.m.:

3 EXAMINER CATANACH: Call the hearing to order
4 this morning for Docket Number 12-90.

5 At this time we'll call the continuances.

6 At this time I'll call Case 9923, the
7 Application of Santa Fe Energy Operating Partners,
8 L.P., for surface commingling, Lea County, New Mexico.

9 At the Applicant's request, this case will be
10 continued to the May 16th, 1990, docket.

11 * * *

12 EXAMINER CATANACH: Call Case 9924, the
13 Application of Strata Production Company to amend
14 Division Order No. 9097, Eddy County, New Mexico.

15 At the Applicant's request, this case will be
16 continued to the May 16th, 1990, docket.

17 * * *

18 EXAMINER CATANACH: Call Case 9926, the
19 Application of Mewborn Oil Company for compulsory
20 pooling and an unorthodox gas well location, Eddy
21 County, New Mexico.

22 At the Applicant's request, this case will be
23 continued to May 30th, 1990.

24 * * *

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1 EXAMINER CATANACH: Call Case 9927, the
2 Application of Pacific Enterprises Oil Company (USA)
3 for compulsory pooling, Eddy County, New Mexico.

4 At the Applicant's request, this case will be
5 continued to the May 16th, 1990, docket.

6 * * *

7
8 EXAMINER CATANACH: At this time we'll call
9 Case 9911, Application of Union Oil Company of
10 California for a highly deviated directional drilling
11 pilot project and unorthodox coal gas well location,
12 Rio Arriba County, New Mexico.

13 At the Applicant's request, this case will be
14 continued to the May 16th, 1990, docket.

15 * * *

16
17 EXAMINER CATANACH: Case 9930, the
18 Application of Union Oil Company of California to amend
19 Division Order Number R-6375, as amended, Rio Arriba
20 County, New Mexico.

21 At the Applicant's request, this case will be
22 continued to the May 16th, 1990, docket.

23 * * *

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25

1 EXAMINER CATANACH: Case 9931, Application of
2 Arco Oil and Gas Company for a pressure maintenance
3 expansion, Eddy County, New Mexico.

4 At the Applicant's request, this case will be
5 continued to the May 16th, 1990, docket.

6 * * *

7
8 EXAMINER CATANACH: Case 9918, Application of
9 Mesa Operating Limited Partnership for compulsory
10 pooling, San Juan County, New Mexico.

11 At the Applicant's request, this case will be
12 continued to the May 16th, 1990, docket.

13 * * *

14
15 EXAMINER CATANACH: Case 9919, Application of
16 Mesa Operating Limited Partnership for compulsory
17 pooling, San Juan County, New Mexico.

18 At the Applicant's request, this case will be
19 continued to the May 16th, 1990, docket.

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1 EXAMINER CATANACH: Case 9907, Application of
2 Enron Oil and Gas Company for compulsory pooling and an
3 unorthodox location, Eddy County, New Mexico.

4 At the Applicant's request, this case will be
5 continued to the May 16th, 1990, docket.

6 * * *

7
8 EXAMINER CATANACH: And Case 9898,
9 Application of Doyle Hartman for compulsory pooling, a
10 non-standard gas proration unit and simultaneous
11 dedication, Lea County, New Mexico.

12 At the Applicant's request, this case will be
13 continued to the May 16th, 1990, docket.

14 * * *

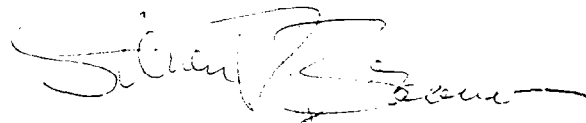
CERTIFICATE OF REPORTER

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

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

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

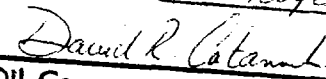
WITNESS MY HAND AND SEAL May 24, 1990.



STEVEN T. BRENNER
CSR No. 106

My commission expires: October 14, 1990

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9907, heard by me on May 2, 1990.


David R. Catano, Examiner
Oil Conservation Division

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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 9907, CASE 9911, CASE 9889,
CASE 9439, CASE 9912, CASE 9918,
CASE 9919

EXAMINER HEARING
CONTINUED AND DISMISSED CASES

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

April 18, 1990

ORIGINAL

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* * *

1 WHEREUPON, the following proceedings were had
2 at 8:20 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order for Docket Number 11-90. I'm Michael E. Stogner,
5 appointed Hearing Officer for today, April 18, 1990.

6 I'll call first case, Number 9907, which is
7 the Application of Enron Oil and Gas Company for
8 compulsory pooling, Eddy County, New Mexico.

9 At the Applicant's request, this case will be
10 continued and will need to be advertised for the
11 hearing scheduled -- readvertised for the hearing
12 scheduled for May 2nd, 1990.

13 * * *

14 WHEREUPON, the following proceedings were had
15 at 10:24 a.m.:

16 EXAMINER STOGNER: Call Case Number 9911,
17 which is the Application of Union Oil Company of
18 California for a highly deviated directional drilling
19 pilot project and an unorthodox coal gas well location,
20 Rio Arriba County.

21 At the Applicant's request, this case will be
22 continued to the Examiner's Hearing scheduled for May
23 2nd, 1990.

24 * * *

25 EXAMINER STOGNER: Call the next case, Number

1 9889, which is the Application of Meridian Oil,
2 Incorporated, for temporary well testing allowable for
3 certain wells in the Parkway-Delaware Pool, Eddy
4 County, New Mexico.

5 At the Applicant's request, this case will be
6 dismissed.

7 * * *

8 EXAMINER STOGNER: I'll call Case Number
9 9439, which is in the matter of said case being
10 reopened pursuant to the provisions of Division Order
11 Number R-8770, which order promulgated temporary
12 special rules and regulations including 80-acre spacing
13 for the Vada-Devonian Pool in Lea County, New Mexico.

14 I'm going to call for appearances at this
15 time.

16 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin
17 of the Santa Fe law firm of Kellahin, Kellahin and
18 Aubrey. I'm appearing today on behalf of Union Pacific
19 Resources Company, which was the original Applicant in
20 the case that resulted in the order that established
21 the special rules for the pool.

22 In addition, Mr. Examiner, I'm appearing
23 today on behalf of Western Reserves Oil Company, Inc.

24 On behalf of those companies, I would request
25 that this case be continued to the next regular

1 examiner docket.

2 EXAMINER STOGNER: Thank you, Mr. Kellahin.

3 In that case, said case number 9439 will be
4 continued to the Examiner's Hearing scheduled for May
5 2nd, 1990.

6 * * *

7 EXAMINER STOGNER: I'll call Case Number
8 9912, which is the Application of Conoco, Incorporated,
9 for an unorthodox oil well location in Lea County, New
10 Mexico.

11 The Applicant has requested that this case be
12 continued to Examiner's Hearing scheduled for May 2nd,
13 1990.

14 * * *

15 WHEREUPON, the following proceedings were had
16 at 2:41 p.m.:

17 EXAMINER STOGNER: I'll at this time call
18 Case Number 9918, which is the Application of Mesa
19 Operating Limited Partnership for compulsory pooling,
20 San Juan County, New Mexico.

21 At the Applicant's request, this case will be
22 continued to the Examiner's hearing scheduled for May
23 2nd, 1990.

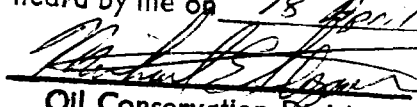
24 * * *

25 EXAMINER STOGNER: Call Case Number 9919,

1 which is the Application of Mesa Operating Limited
2 Partnership for another compulsory pooling, San Juan
3 County, New Mexico.

4 The Applicant has also requested that this
5 case be continued to the May 2nd, 1990, hearing.

6 * * *

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16 I do hereby certify that the foregoing is
17 a complete record of the proceedings in
the Examiner hearing of Case Nos. 9901, 9911, 9889, 9437,
18 heard by me on 15 April 1990. 9912, 9918, 9919

19 Oil Conservation Division Examiner
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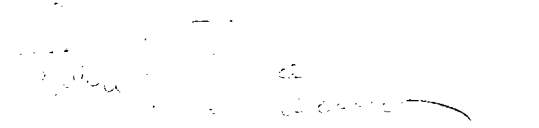
CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, Certified Shorthand 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 April 28, 1990.


STEVEN T. BRENNER
CSR No. 106

My commission expires: October 14, 1990

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 9907

EXAMINER HEARING

IN THE MATTER OF:

Application of Enron Oil & Gas Company For
Compulsory Pooling and an Unorthodox
Location, Eddy County, New Mexico.

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

May 21, 1990
/6

ORIGINAL

CUMBRE COURT REPORTING
(505) 984-2244

A P P E A R A N C E S

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1 HEARING EXAMINER: This hearing will
2 resume.

3 We'll call Case No. 9907.

4 MR. STOVALL: The application of Enron Oil
5 & Gas Company for compulsory pooling and an unorthodox
6 location, Eddy County, New Mexico.

7 HEARING EXAMINER: Call for appearances?

8 MR. CARR: May it please the Examiner, my
9 name is William F. Carr with the law firm Campbell &
10 Black, P.A., of Santa Fe. I represent Enron Oil & Gas
11 Company, and I have three witnesses.

12 HEARING EXAMINER: Are there any other
13 appearances?

14 MR. BRUCE: Mr. Examiner, my name is Jim
15 Bruce from the Hinkle Law Firm in Albuquerque,
16 representing Texaco Producing, Inc., and Santa Fe
17 Energy Operating Partners, L. P. I don't plan on
18 presenting any witnesses.

19 MR. STOVALL: Mr. Examiner, just to put it
20 on the record information of which I think all the
21 parties are aware, prior to the hearing Mr. Bruce's
22 firm, on behalf of their clients, filed a subpoena
23 which was issued by the Division requesting
24 information on a specific well, requesting information
25 on the Enron Oil & Gas Malaga 2 State Com. No. 1

1 well.

2 Mr. Carr, on behalf of Enron, filed a
3 motion to quash the subpoena. Argument was held off
4 the record yesterday in this matter, and the Examiner
5 granted Mr. Carr's motion to quash the subpoena. That
6 is on the record.

7 I understand there has been some further
8 discussion on it at this point, but I wanted to have
9 that in the transcript.

10 I guess I'll swear the witnesses now.

11 HEARING EXAMINER: Sometimes that's
12 pronounced Malaga. You've been in the Northwest too
13 long.

14 MR. CARR: At this time I would call Mr.
15 McCommon.

16 ROBERT M. McCOMMON, JR.,
17 the witness herein, after having been first duly sworn
18 upon his oath, was examined and testified as follows:

19 EXAMINATION

20 BY MR. CARR:

21 Q. Would you state your full name and place of
22 residence?

23 A. Robert M. McCommon, Jr., Midland, Texas.

24 Q. Mr. McCommon, by whom are you employed and
25 in what capacity?

1 A. Enron Oil & Gas Company, as a petroleum
2 landman.

3 Q. Have you previously testified before this
4 Division and had your credentials as a landman
5 accepted and made a matter of record?

6 A. Yes, sir, I have.

7 Q. Are you familiar with the application filed
8 in this case on behalf of Enron?

9 A. Yes, sir.

10 Q. Are you familiar with the proposed well and
11 the subject acreage?

12 A. Yes, sir.

13 MR. CARR: Are the witness' qualifications
14 acceptable?

15 HEARING EXAMINER: They are.

16 Q. Mr. McCommon, Would you briefly state what
17 Enron seeks with this application?

18 A. Yes, sir. Enron seeks a compulsory pooling
19 of all formations from the surface down to the base of
20 the Atoka formation, in the north half of Section 1,
21 Township 24 South, Range 28 East, Eddy County, New
22 Mexico, and approval of an unorthodox location in the
23 Atoka formation, being 660 from the north line and
24 1680 from the west line of said Section 1.

25 Q. Have you prepared certain exhibits for

1 presentation in this hearing?

2 A. Yes, sir, I have, Mr. Carr.

3 Q. Would you refer to what has been marked for
4 identification as Enron Exhibit 1; first, identify
5 this and review the information on this exhibit for
6 Mr. Stogner.

7 A. Exhibit 1 is a land plat prepared which was
8 prepared under my direction. Depicted on the plat you
9 should see an outlined north half of Section 1, 24/28
10 Eddy County, New Mexico. It also shows a proposed
11 unorthodox location which is, again, 660 from the
12 north line and 1680 from the west line. This is the
13 proposed 320-acre proration unit. Again, that's a map
14 of the area.

15 Q. This map also indicates the ownership of
16 the offsetting tracts?

17 A. Yes, sir, it does.

18 Q. This well is unorthodoxed by being moved
19 300 feet to the west, is that correct?

20 A. That is correct.

21 Q. Who operates the proration unit to the west
22 of the subject acreage?

23 A. That would be Enron. That's the east half
24 proration unit.

25 Q. Who operates the acreage to the northwest?

1 A. Quinoco. And that's a south half proration
2 unit, Section 35.

3 Q. The primary objective in this well is what
4 formation?

5 A. The Atoka formation.

6 Q. Let's go now to what is marked Exhibit No.
7 2. I would ask you to identify that and review this
8 for the Examiner.

9 A. Yes. This Exhibit 2 is a list of the
10 leasehold ownership in the north half of Section 2.
11 It identifies the parties and then the various
12 descriptions of their tracts. There is some divided
13 and some undivided ownership in here.

14 I would like to mention this section is not
15 320 acres exact, it's 319.36, and that's from the
16 patent information. It also shows on this exhibit the
17 percentage of the interest of the parties.

18 Q. What percentage of this interest has
19 voluntarily been committed to the well at this time?

20 A. At this point, 75 percent.

21 Q. Would you now summarize for Mr. Stogner
22 your efforts to obtain voluntary joinder of all
23 working interest owners and all mineral interest
24 owners in this proposed spacing or proration unit?

25 A. I would like to refer to Exhibit 3. What

1 this is, Mr. Stogner, is a communications log that I
2 kept when I contacted Texaco and Santa Fe. It just
3 gives dates of phone conversations, mentions letters
4 which we had sent out.

5 Following that is Exhibit 4, and that is
6 copies of logs to Santa Fe, Exxon and Texaco, we're
7 proposing the well to them and requested that they
8 farm out or join, and attached to each one of those
9 letters is an AFE for the well.

10 Q. Could you advise the Examiner as to the
11 current status of your negotiations with Santa Fe, and
12 also the current status of your negotiations with
13 Texaco?

14 A. Yes, sir. Santa Fe has notified us that
15 they've elected to join in the well--not elected, but
16 agreed to join in the well. Texaco today, late last
17 night, early this morning, right before the hearing,
18 we made an offer to them to show them our log, which
19 we have kept confidential. We would show them that
20 log if they would agree to, after looking at it,
21 within a set period of time, either join or farm out
22 on some predetermined terms.

23 My understanding is, just because of the
24 late time that we did these negotiations, they didn't
25 have the time to get any type of approvals from their

1 management. I think we've agreed that we will
2 continue, even after this hearing today, to try to
3 work something out, to show them the log to see if we
4 can get them to either join or farm out. I believe
5 their contention is they would like to reserve their
6 right to go nonconsent, and that's why we didn't reach
7 any agreement at this point.

8 Q. Mr. McCommon, in your opinion, have you
9 made a good-faith effort to obtain voluntary joinder
10 of all interest owners in the north half of this
11 section?

12 A. Yes, sir.

13 Q. Enron has drilled other Atoka wells in this
14 area, have they not?

15 A. Yes, sir, they have.

16 Q. Have you made an estimate of overhead and
17 administrative costs to be incurred while drilling
18 this well, and also while producing it, if in fact it
19 is a producer?

20 A. Yes, sir. I've got that in my--excuse me.
21 For drilling, \$6,630 a month, and for producing, \$648
22 a month.

23 Q. What is the source of these figures?

24 A. The source is Ernst and Young's combined
25 overhead rates, escalated for 1990, and also some

1 internal information that Enron uses.

2 Q. What you've done is taken, as an example,
3 the drilling rate, you've taken the 1989 Ernst and
4 Young figure and you've multiplied that by an
5 escalation factor of about what?

6 A. It's 8.1, which is what COPAS recommended
7 for 1990.

8 Q. And that's basically how you acquired that
9 figure?

10 A. Yes, sir, that's correct.

11 Q. Are these costs in line with what is being
12 charged by Enron for other wells to this depth in this
13 area?

14 A. To the best of my knowledge, yes, they are.

15 Q. Do you recommend that these figures be
16 incorporated into any order which results from today's
17 hearing?

18 A. Yes, sir, I do.

19 Q. Would you identify for Mr. Stogner what has
20 been marked as Exhibit No. 5?

21 A. Yes, sir. It's a letter we wrote to
22 Quinoco that they executed or agreed to accept it.
23 It's a waiver letter saying that they waive their
24 objection to the unorthodox location of our well.

25 Q. And behind that there are some other

1 letters. What are these?

2 A. Second letter there is a letter from Santa
3 Fe Energy, where they notify Enron that they're
4 agreeing to participate in the well.

5 The next letter is a letter between Enron
6 and Exxon. Exxon has agreed. We showed them the same
7 information that we would present in the Commission
8 today, not the log or any information on our well in
9 Section 2. Upon reviewing that they have 15 days, and
10 they'll either join or farm out. In terms of the farm
11 out, deliver a 75 percent NRI, no back-in.

12 The next letter is a letter from UTI and
13 Richard K. Barr, Scott E. Wilson, individually, and
14 also another letter from Read & Stevens. Those last
15 two letters are just support letters of Enron's
16 application for the forced pooling and also for the
17 unorthodox location.

18 Q. Mr. McCommon, is Exhibit 6 an affidavit and
19 letters from Campbell & Black confirming that notice
20 of today's hearing has been provided as required by
21 Rule 1207?

22 A. Yes, sir, they are.

23 Q. Does Enron seek to be designated operator
24 of the proposed well?

25 A. Yes, we do.

1 Q. Were Exhibits 1 through 6 either prepared
2 by you or compiled at your direction?

3 A. Yes, they were.

4 Q. Can you testify as to the accuracy of those
5 exhibits?

6 A. Yes, sir, I can.

7 MR. CARR: At this time, Mr. Stogner, We
8 would move the admission of Enron Exhibits 1 through
9 6.

10 HEARING EXAMINER: Exhibits 1 through 6
11 will be admitted into evidence.

12 Q. Mr. McCommon, will Enron also call
13 geological and engineering witnesses to discuss the
14 risk penalty and the reasons for the unorthodox
15 location?

16 A. Yes, sir, we will.

17 MR. CARR: That concludes my direct
18 examination of Mr. McCommon.

19 HEARING EXAMINER: Mr. Bruce, your
20 witness.

21 EXAMINATION

22 BY MR. BRUCE:

23 Q. Mr. McCommon, you've had discussions this
24 morning with representatives of Texaco Producing and
25 Santa Fe Energy, have you not?

1 A. Yes, sir, that's correct.

2 Q. And as you previously testified, Santa Fe
3 has indicated they will join in the well, is that
4 correct?

5 A. That's correct.

6 Q. And according to your agreement this
7 morning, Enron will show Santa Fe Energy the logs
8 themselves that are from the offsetting well, is that
9 correct?

10 A. That's correct.

11 Q. Rather than just the interpretations of the
12 logs?

13 A. That's correct.

14 Q. And I believe your commitment with Texaco
15 is to continue working with them, and if Texaco will
16 commit to farm out or join in the well, then Enron
17 will show Texaco the logs themselves?

18 A. That's correct, on mutually agreeable
19 terms. Now, if I may qualify one thing. Showing
20 Santa Fe the information, if we can work something out
21 with Texaco, too, since they've been a party to this
22 already. We're not just going to show Santa Fe
23 tomorrow just out of the goodness of our heart. Part
24 of it was that we work with everybody to do something.
25 We conditioned that on getting Texaco to either join

1 or farm out on some agreeable terms before we just
2 show it to anybody.

3 HEARING EXAMINER: Let's take a 10-minute
4 recess.

5 (Thereupon, a recess was taken.)

6 HEARING EXAMINER: The hearing will come to
7 order.

8 Mr. Bruce?

9 Q. (BY MR. BRUCE) Mr. McCommon, let me ask a
10 couple of questions. I just asked you about Enron's
11 agreements with Santa Fe Energy and with Texaco. Is
12 the agreement with Santa Fe Energy separate and
13 unrelated to the agreement with Texaco?

14 A. That's correct.

15 Q. I believe Santa Fe has stated the desire to
16 come to your office and examine the logs, is that
17 correct?

18 A. That is.

19 Q. Now I believe, and let me get it straight
20 now, the agreement with Texaco, which is unrelated to
21 the agreement with Santa Fe, is that if Texaco will
22 commit to farm out or joining in the well, then Enron
23 will provide copies of the logs to Texaco?

24 A. Yes, sir.

25 Q. Thank you, Mr. McCommon. I have a couple

1 more questions.

2 I want to verify that Exxon farmed out its
3 interest, is that correct?

4 A. They have until next Friday. They can
5 agree to farm out or join.

6 Q. And getting back to Texaco, right now
7 Texaco has not made any decisions, so what you have
8 stated is an offer to Texaco, is that correct?

9 A. That is correct.

10 Q. In looking at your Exhibit 3, Mr. McCommon,
11 if I understand this correctly, the first contact with
12 Exxon and Texaco and Santa Fe was March 16, 1990, is
13 that correct?

14 A. Yes, sir.

15 Q. When was the force pooling application
16 filed?

17 A. I don't recall the exact date.

18 MR. CARR: I have an amended application
19 being filed March 27th, but I don't have the
20 original. It would have been before that, obviously.

21 Q. Your first contact with Mr. Sleeper,
22 according to Exhibit 3, was on May 2, 1990, is that
23 correct?

24 A. Yes, sir, that's correct.

25 MR. BRUCE: Thank you, Mr. McCommon.

1 HEARING EXAMINER: Do you have anything
2 further, Mr. Carr?

3 MR. CARR: Nothing further, Mr. Stogner.

4 EXAMINATION

5 BY HEARING EXAMINER:

6 Q. Mr. McCommon, I want to refer to Exhibit
7 2. I'm pretty sure I know what the interest of Enron,
8 Exxon, Santa Fe and Texaco are at this point.

9 A. Yes.

10 Q. How about Read & Stevens? What is their
11 position?

12 A. There's a letter attached.

13 Q. Have they signed the AFE and signed an
14 operating agreement?

15 A. No, sir, they have not. We have a contract
16 that covers this area, and we're in negotiations to
17 get the operating agreement negotiated and executed.
18 They have been furnished an AFE and they have
19 indicated that they intend to participate.

20 And as part of Exhibit 5, I attached a
21 letter supporting our application. It should be the
22 last letter, I believe, Mr. Stogner. Is there a
23 letter right after that one?

24 Q. Okay. How about the UTI Energy Corp.?

25 A. Same thing. We have a contractual

1 agreement with those people. UTI, Richard K. Barr and
2 Scott E. Wilson, they've indicated they intend to
3 participate, and we're in negotiations with them to
4 finalize their operating agreement and get the
5 execution of an AFE.

6 EXAMINATION

7 BY MR. STOVALL:

8 Q. Mr. McCommon, what is the nature of your
9 contractual agreement with these various entities that
10 you've identified?

11 A. They brought the deal to us. It involved
12 the drilling of a well in Section 2, and also earning
13 some interest in Section 36 to the north, and also
14 acquiring an interest in the north half of Section 1,
15 which has been assigned to us.

16 Q. So they are, in your opinion, contractually
17 committed to either participate or somehow turn their
18 interest over to you, is that correct?

19 A. Yes, sir. I would have to say that, yes.
20 I mean, as far as them having everything just signed
21 and sealed, and T's crossed and I's dotted, we're not
22 there, but we're in agreement of what we're trying to
23 do and get consummated.

24 Q. When Enron seeks a force pooling order from
25 the Commission and the parties who have joined and

1 parties who have not, what does Enron consider
2 necessary action on the part of another party in the
3 proration unit to effectively have joined the well?
4 What do you require them to do to indicate their
5 attempt to join?

6 A. Probably two things: One would be, as we
7 talked earlier, would be the execution of an operating
8 agreement and the execution or signature of an AFE.

9 Q. Both items would be required?

10 A. We would like to have them done, yes, sir.

11 Q. If a party has executed an operating
12 agreement and not executed an AFE, would it be your
13 understanding their interest would be determined under
14 the nonconsent provisions of the operating agreement
15 rather than a force pooling order?

16 A. That's correct.

17 Q. What if a party signed an AFE but not an
18 operating agreement?

19 A. I think we would still want to force pool
20 them. They would not be effectively force pooled
21 because that would show their intent to pay their
22 proportionate share of the estimated cost of the well,
23 but we wouldn't have any contractual obligation with
24 them.

25 Q. So Read & Stevens, UTI, Barr, and Wilson,

1 at this point, have only got an agreement to agree
2 with Enron, is that correct?

3 A. That would be correct, yes, sir.

4 Q. They have not signed any agreement
5 committing them to pay any share of costs or transfer
6 any interests?

7 A. Not at this point. They've indicated that
8 they want to go forth with that, and that they intend
9 to participate in the well. And that's why I wrote
10 the letters we've attached as part of Exhibit 5
11 supporting our application.

12 MR. STOVALL: I don't have any further
13 questions at this time.

14 HEARING EXAMINER: Nor do I.

15 Mr. Carr?

16 MR. CARR: Is the witness excused?

17 HEARING EXAMINER: Yes.

18 MR. CARR: At this time we would call Mr.
19 Zinz, Z I N Z.

20 BARRY L. ZINZ,

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

23 EXAMINATION

24 BY MR. CARR:

25 Q. Would you state your full name and place of

1 residence?

2 A. Barry L. Zinz, Midland, Texas.

3 Q. Mr. Zinz, by whom are you employed and in
4 what capacity?

5 A. Geologist with Enron Oil & Gas Company.

6 Q. How long have you been employed by Enron
7 Oil & Gas Company?

8 A. Through the various mergers, 14 years.

9 Q. Have you previously testified before this
10 Division?

11 A. No, I have not.

12 Q. Could you summarize your educational
13 background and then review your work experience for
14 Mr. Stogner?

15 A. I got my B.S. degree in 1968, geology; M.S.
16 in 70, geology, both from Texas Tech University.

17 I went to work in the oil business as a
18 geologist for Union of Cal. Spent five years there,
19 and the rest of the time has been with Enron.

20 Q. Does your area of responsibility for Enron
21 include the portion of Southeastern New Mexico which
22 is involved in this case?

23 A. Yes, it does.

24 Q. Are you familiar with the application filed
25 in this case on behalf of Enron?

1 A. Yes, I am.

2 Q. Are you familiar with the proposed well and
3 the subject area?

4 A. Yes, I am.

5 MR. CARR: We Tender Mr. Zinz as an expert
6 witness in petroleum geology.

7 HEARING EXAMINER: Are there any
8 objections? I guess there is none, Mr. Zinz is so
9 qualified.

10 Q. Mr. Zinz, have you prepared certain
11 exhibits for presentation in this hearing?

12 A. Yes, I have.

13 Q. Could you identify what has been marked as
14 Enron Exhibit 7, identify that and then review it
15 for Mr. Stogner.

16 A. That's a topographic map with several
17 colored dots on it. The six pink dots in the north
18 half proration unit, those represent legal locations
19 for Section 1, north half, 24 South, 28 East, Eddy
20 County. The green dot is the proposed unorthodox
21 location.

22 Q. To be sure I understand these six dots, the
23 northeasternmost pink dot, what is that location?
24 1980 from the east line, 660 from the north line?

25 A. The northwesternmost is 660 from the north,

1 1980 from the west.

2 Q. If we go over to the next dot to the right,
3 that would be 1980 from the east, 660 from the north?

4 A. That's correct.

5 Q. Then you have got two dots below those.
6 Those are just other locations that would fall within
7 the standard location of blocks?

8 A. Yes, sir.

9 Q. If you move south from those proposed
10 locations, is that the Pecos River that runs across
11 there?

12 A. Yes, sir.

13 Q. Moving that direction would put you in
14 closer proximity to the river?

15 A. That's correct.

16 Q. The two southernmost pink dots, those are
17 the 1980, 660 locations in the south half of this
18 north half unit?

19 A. Actually, that would be 1980 from the north
20 and west, or 1980 from the north and east.

21 Q. Let's go now to what has been marked as
22 Exhibit 8, and I would ask you to identify this,
23 please?

24 A. This is an isopach map of what I call the
25 A-3 channel sand, which is the primary objective. The

1 contour interval is five feet, and I have constructed
2 this using the existing well control in the mapped
3 area.

4 Q. What does this interpretation show you
5 about the two southernmost standard locations in the
6 north half of Section 1?

7 A. The southernmost locations would not
8 encounter the channel, as I've interpreted it.

9 Q. This is constructed from well control
10 information?

11 A. Yes, sir.

12 Q. What, generally, is the nature of the
13 formation in this area?

14 A. The Atoka sands, they occur as channels,
15 some occur as bars. They're very sinuous in nature,
16 the channels, and difficult to predict.

17 Q. If we look at Exhibit 8 and we go to the
18 west half of Section 2, there are two green well spots
19 there. What is the status of those two wells?

20 A. Those wells were drilled to the Morrow.
21 They did not encounter any Atoka sand. They were
22 completed in the Morrow. The northwest well in the
23 northwest quarter up there is still producing. The
24 well in the southwest quarter has been plugged up.

25 Q. Are you prepared to make a recommendation

1 to the Examiner as to the geologic risks associated
2 with drilling a well in this area?

3 A. Yes, sir.

4 Q. What risk penalty would you recommend?

5 A. I would say 200 percent.

6 Q. And could you just summarize basically your
7 reasoning for making that particular recommendation?

8 A. It's just the nature of these channels that
9 we're trying to play out here, the sinuous, curving
10 nature of the channels.

11 Q. Is it possible to move short distances in
12 this area and completely miss the channel altogether?

13 A. Yes, sir.

14 Q. Do you believe there's a chance that Enron
15 could drill a well in this location which would be
16 nonproductive?

17 A. Yes, sir.

18 Q. Were Exhibits 7 and 8 prepared by you?

19 A. That's correct.

20 MR. CARR: At this time, Mr. Stogner, I
21 would move the admission of Enron Exhibits 7 and 8.

22 HEARING EXAMINER: Are there any
23 objections?

24 MR. BRUCE: No, sir.

25 HEARING EXAMINER: Exhibits 7 and 8 will be

1 received into evidence.

2 MR. CARR: That concludes my direct
3 examination of this witness.

4 HEARING EXAMINER: Mr. Bruce, your
5 witness.

6 EXAMINATION

7 BY MR. BRUCE:

8 Q. Just a couple of questions, Mr. Zinz. You
9 said you did use well control in drawing Exhibit 8, is
10 that correct?

11 A. Yes, sir.

12 Q. That would include the Enron well in the
13 east half of Section 2?

14 A. That's correct.

15 Q. In making your interpretation, did you use
16 the logs from that well?

17 A. Yes, sir.

18 Q. What logs did you use?

19 A. The porosity log.

20 Q. Did you use the resistivity log?

21 A. No, sir.

22 Q. Any other logs?

23 A. No, sir.

24 Q. And it was you who made the interpretations
25 from those logs and applied them to Exhibit 8, is that

1 correct?

2 A. Yes, sir.

3 Q. Just briefly, looking at the unorthodox
4 location, what is the primary reason for the
5 unorthodox location?

6 A. The primary reason, I believe, is
7 topography.

8 Q. But in moving slightly to the west of a
9 standard location, you are moving, according to your
10 interpretation, to a thicker porosity?

11 A. Yes, sir. It's a slight advantage, but
12 yes, that's correct.

13 Q. Are there any secondary objectives for this
14 well?

15 A. Yes. It would be the Atoka bank.

16 Q. Any others?

17 A. Well, there are a lot of pays in there.
18 Coming down you've got the Brushy Canyon, some Bone
19 Spring is productive in the area, Strawn, Atoka.
20 We're not recommending carrying this well to the
21 Morrow.

22 Q. It will stop at the Atoka?

23 A. Yes, sir.

24 MR. BRUCE: Thank you.

25 HEARING EXAMINER: I have no questions of

1 Mr. Zinz.

2 MR. CARR: At this time we would call Mr.
3 Frick.

4 HEARING EXAMINER: Mr. Carr.

5 JOHN R. FRICK,

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

8 EXAMINATION

9 BY MR. CARR:

10 Q. Would you state your full name and place of
11 residence?

12 A. My name is John R. Frick, Jr. I live in
13 Midland, Texas.

14 Q. By whom are you employed?

15 A. I'm employed by Enron Oil & Gas.

16 Q. In what capacity?

17 A. I'm the division drilling engineer.

18 Q. Have you previously testified before this
19 Division?

20 A. I have not.

21 Q. Would you briefly summarize your
22 educational background and then review your work
23 experience for the Examiner?

24 A. I received a B.S. degree in petroleum
25 engineering from the University of Tulsa in 1972. And

1 I have been employed in the oil and gas industry for
2 the last 18 years in various operations, engineering
3 and management capacities.

4 Q. Does your area of responsibility with Enron
5 include the portion of Southeastern New Mexico
6 involved in this case?

7 A. Yes, it does.

8 Q. Are you familiar with the application filed
9 in this case on behalf of Enron?

10 A. Yes.

11 Q. Are you familiar with the subject area and
12 the proposed well?

13 A. Yes, I am.

14 Q. Have you personally been to the well
15 location and inspected the site?

16 A. Yes, sir, I have.

17 MR. CARR: We would tender Mr. Frick as an
18 expert witness in petroleum engineering.

19 HEARING EXAMINER: Mr. Frick is so
20 qualified.

21 Q. I would like to direct your attention to
22 what has been marked as Enron Exhibit 9. I would ask
23 you to identify this and review the totals depicted
24 thereon.

25 A. This is an AFE which we prepared for the

1 Malaga 1 Federal Com. No. 1. It shows that we
2 anticipated dry hole costs in the neighborhood of
3 \$631,000, completion costs of approximately \$253,000;
4 a total of \$884,000, approximately.

5 Q. In your work with Enron, are you familiar
6 with AFE's used by Enron for other wells, and also
7 those proposed by other companies?

8 A. Yes, I am.

9 Q. Are these costs in line with what's being
10 charged by other operators for similar wells in the
11 area?

12 A. Yes, they are.

13 Q. I think what I would like to do now is ask
14 you to explain to the Examiner why this location has
15 been moved 300 feet to the west. And in doing this it
16 might be helpful if you would review the photographs
17 that are marked Exhibits 10 through 18.

18 A. All right. This series of photographs was
19 taken to show the topography in the area of the
20 orthodox well location.

21 Q. It might be helpful if we'd refer back to
22 Exhibit 7, the topographical map, which might help in
23 orienting the photograph.

24 A. Yes. If we review that exhibit, we can see
25 we're in very close proximity to the Pecos River. The

1 green dot is the proposed location. The pink dot
2 immediately to the east is the orthodox location. And
3 that location basically sits on a point which we can
4 show you, as we look at these pictures, why it would
5 be difficult to construct that location at that site.

6 Q. If we go to Enron Exhibit 10, there's a
7 stake shown in the front, in the foreground in the
8 photograph. Where is that stake?

9 A. That is the 660/1680 alternate, which we've
10 depicted here on Exhibit 7 as the green dot. If we
11 look into the background we can see that another stake
12 and the red and white flag in the back of the
13 photograph is the orthodox location.

14 HEARING EXAMINER: Being 660/1980?

15 THE WITNESS: That is correct.

16 Q. At the location indicated by the stake in
17 the foreground of photograph No. 10, is that a
18 satisfactory location, in your opinion, for drilling a
19 well on this spacing unit?

20 A. Yes, it is.

21 Q. Let's go to the next picture, and if you
22 will just go through these pictures and explain what
23 they show.

24 A. Exhibit 11 basically is positioned in the
25 same direction looking east. We're closer then to

1 the stake and we can see to the south of the stake a
2 significant drop in elevation in very near proximity
3 to the stake.

4 Exhibit 12, we're looking to the southeast,
5 and you can see the original stake in the foreground,
6 and looking off to the southeast you can see we're
7 dropping quickly to the southeast, requiring a
8 significant amount of fill for any location at that
9 site.

10 Exhibit 13, in this photo we're looking to
11 the north and showing the significant drop to the
12 south of the stake and also a sloping trend towards
13 the east/southeast.

14 In Exhibit 14, we're looking basically to
15 the northeast in this photo. Again we can see that
16 south of the location we have a very significant drop
17 in elevation.

18 Q. When you say "the location," is this the
19 proposed location?

20 A. This is the orthodox location.

21 Q. Let's go now to Exhibit 15.

22 A. Exhibit 15, here I am positioned southeast
23 of the orthodox stake, looking uphill toward the stake
24 to the northwest.

25 In Exhibit 16, I'm basically in the same

1 position as the last photograph. In this one I'm
2 looking down to the southeast. We can see a deeply
3 eroded ravine toward the southeast and toward the
4 river. This area would be required to be filled and
5 be a portion of the location for the orthodox
6 location.

7 Q. So this is at the orthodox location?

8 A. This is at the orthodox location, and this
9 is a significant drainage for the area.

10 Q. Let's go to the exhibit marked as 17.

11 A. Exhibit 17 is take approximately 100 feet
12 to the west of the orthodox location and slightly
13 south. Here I was trying to depict the conglomerate
14 formation in proximity of the orthodox location, which
15 would have to be dealt with, probably have to be
16 blasted to effect the building of a location at the
17 orthodox site.

18 Q. The last photograph?

19 A. The last photograph is a close-up of the
20 conglomerate showing that it is highly consolidated
21 and probably would require some blasting in that area.

22 Q. Did you take these photographs yourself?

23 A. I did.

24 Q. Based upon your personal inspection of the
25 area, is there a satisfactory standard location in the

1 north half of the north half of Section 1 from which
2 you could drill the proposed well?

3 A. No. I don't believe so. I think this
4 alternate is probably the best location.

5 Q. So topography is a factor in the north half
6 of the section, and the geology becomes the factor for
7 well locations in the south half?

8 A. That's correct.

9 Q. Have you considered directionally drilling
10 a well from the unorthodox location to a standard
11 bottom-hole location?

12 A. We have the technology to accomplish that.
13 It would be relatively expensive. We estimate about
14 \$200,000 additional cost to do that.

15 Q. What would the additional cost of that
16 magnitude, and what impact would they have on Enron's
17 plans to go forward with the development of this
18 property?

19 A. Of course, it would be a management
20 decision, but it could significantly, when considered
21 along with the risk, impair the economics of the
22 project.

23 Q. How far from the standard location are you
24 moving the proposed well?

25 A. We're proposing to move this to the

1 660/1680 side, which is 300 feet west of the orthodox
2 location.

3 Q. Do you believe it would be appropriate to
4 penalize this well due to the fact it's being moved
5 300 feet to the west?

6 A. No, I really do not because the location
7 west in Section 2 is, in fact, closer to the common
8 lease line than we will be.

9 Q. So they are actually closer to the common
10 boundary between the two tracts?

11 A. Yes, sir, by approximately 30 feet.

12 Q. In your opinion, will granting this
13 application enable Enron to drill a well in the north
14 half of Section 1 that will efficiently and
15 effectively produce the reserves under that tract?

16 A. Yes, sir.

17 Q. Do you believe that granting the
18 application will be in the best interest of
19 conservation, the prevention of waste, and the
20 protection of correlative rights?

21 A. Yes, I do.

22 Q. Were Exhibits 9 through 18 prepared by you?

23 A. Yes.

24 MR. CARR: At this time, Mr. Stogner, I
25 would move the admission of Enron Exhibits 9 through

1 18.

2 HEARING EXAMINER: Are there any
3 objections? There being none, Exhibits 9 through 18
4 will be admitted into evidence.

5 MR. CARR: And that concludes my direct
6 examination of Mr. Frick.

7 HEARING EXAMINER: Thank you Mr. Carr.
8 Mr. Bruce, your witness.

9 EXAMINATION

10 BY MR. BRUCE:

11 Q. Yes, sir, looking at Exhibit 12, as just a
12 personal question; does Enron actively encourage the
13 employment of cigar smokers? If so, I want a job.

14 A. This man basically chews those cigars.

15 MR. ZINZ: That's J. C. Denny, and he
16 lights it one time, and it goes out, and he chews on
17 it.

18 HEARING EXAMINER: Is that the extent of
19 your questioning?

20 MR. BRUCE: That's the extent of my
21 questioning.

22 EXAMINATION

23 BY HEARING EXAMINER:

24 Q. Is this on a federal lease?

25 A. Yes, sir, I believe it is.

1 Q. And the surface management agency--

2 A. The location is fee, yes. I understand
3 it's owned by Roxy Williams--the Williams family.

4 Q. Mr. Frick, how far to the east will your
5 pad be extended from the well location itself?

6 A. Approximately 150 to 200 feet.

7 Q. How about to the south?

8 A. Approximately 150 feet.

9 Q. So what would we call this, the bank of the
10 river or the little bluff that extends over to the
11 river? runs to the northeast and the southwest, is
12 that correct? Is that what I'm seeing from the
13 pictures here, that little ridge you have several
14 pictures of?

15 A. The ridge goes to the northeast to
16 southwest. Was that what you said?

17 Q. Yes. So you had to move it, what, 300
18 feet?

19 A. 300 feet directly west.

20 Q. So extending it due west 300 feet would
21 accomplish getting away from the southern portion of
22 that embankment, is that correct?

23 A. Yes. There will still be some fill towards
24 the southeast, but it would be much less significant
25 than the orthodox location.

1 Q. Now, in your application you requested
2 several horizons for compulsory pooling, and this is
3 unorthodox also for an 80-acre proration unit, taking
4 in the east half, northwest quarter equivalent,
5 forming essentially a stand-up 80-acre proration unit
6 in the South Culebra Bluff Bone Spring, is that
7 correct?

8 A. I believe that's correct.

9 MR. CARR: That's correct.

10 Q. So this well location is only unorthodox
11 for those two zones? Anything spaced on 320 and 80,
12 is that correct?

13 MR. CARR: That's correct, Mr. Stogner.
14 I've checked the rules. I don't know if Mr. Frick
15 has, but that's right, it would be outside the
16 150-acre radius circle for 80-acre spacing and it
17 would be too close on 320.

18 HEARING EXAMINER: Mr. Stovall?

19 MR. STOVALL: Actually, I have no questions
20 of this witness, but I would like to recall Mr.
21 McCommon for a moment.

22 ROBERT J. McCOMMON,
23 the witness herein, having been previously duly sworn
24 upon his oath, testified further as follows:

25 EXAMINATION

1 BY MR. STOVALL:

2 Q. Mr. McCommon, we're going back to Exhibit 2
3 to follow up on some of the questions I asked you
4 earlier on that. We may need Mr. Carr's input in
5 this, as a matter of fact.

6 Are you aware that our force pooling orders
7 pool all interests within the--

8 A. Yes, sir, that's correct.

9 Q. Under the provisions of those orders, the
10 way you avoid the risk penalty is to prepay the costs,
11 is that correct? Are you familiar with the orders?

12 A. To the best of my knowledge--

13 Q. If you wish to consult with Mr. Carr to
14 confirm that that's true, you're welcome to do so.

15 A. Thank you.

16 Q. Let me explain so you understand where I'm
17 going with this. We've recently had a force pooling
18 case in a situation not unlike this in which a party
19 appeared and force pooled, thinking they had an
20 agreement with certain parties. Subsequently, the
21 agreements to agree did not agree and, as a result,
22 they had to come back in and force pool simply because
23 they failed to give notice.

24 In your opinion as a landman for Enron--I'm
25 assuming you can speak for them in terms of what Enron

1 requires of parties--under this, assuming we issue a
2 force pooling order in this case, would you require
3 parties with whom you've not entered into a written
4 agreement, particularly an operating agreement to
5 prepay their costs in order to avoid a risk penalty?

6 A. I can't answer that question, Mr. Stovall.
7 I don't know.

8 Q. Let me ask the question more broadly, and
9 if Mr. Carr wishes to inject an interpretation--it's
10 an issue of concern in our force pooling orders, quite
11 frankly.

12 I'm going to pick on one. Let's take UTI
13 Energy. You have an agreement to agree with them at
14 this point?

15 A. Yes, sir.

16 Q. Mr. Carr, in his affidavit, apparently you
17 did not give notice of this application to UTI Energy
18 or Mr. Barr or Wilson who I believe are associated
19 with them?

20 A. That is correct.

21 Q. If your agreement were to proceed no
22 further than it is at this point, how would you treat
23 UTI and Barr and Wilson?

24 A. I would treat them as we haven't properly
25 notified them, and they may not be force pooled under

1 this order, and that's a risk that Enron has taken.

2 If I may add, Mr. Stovall, we were aware of
3 this. We've had some other things going on, and
4 that's not, obviously, your concern, but we have very
5 good communications with UTI, and they've indicated
6 that they're going to join.

7 HEARING EXAMINER: If I can interject, Mr.
8 Stovall, but yet you do ask to force-pool the 40 acres
9 in your application, and you didn't seek to have that
10 withdrawn today.

11 MR. STOVALL: Yes, and I'm not saying they
12 won't join or you will have a problem. What I'm
13 trying to do in this case, quite frankly, is build a
14 record for future force-pooling situations.

15 MR. CARR: And I recognize what you're
16 trying to do. Scott Wilson is here and could testify
17 that they anticipate going forward with this.

18 But I think your questions are really in
19 the broader context, and I don't know if you
20 necessarily want my opinion, but it is if you don't
21 give notice of the hearing to someone and you get a
22 pooling order, I don't think you can effectively pool
23 their interest.

24 MR. STOVALL: I would agree with that. If
25 Mr. Wilson were here and wished to enter an appearance

1 in this case, I believe that could be an effective
2 waiver of notice. That would certainly be his choice.
3 That would solve that problem without testimony in
4 this case. But, you're correct, I'm speaking in the
5 broader sense of where these orders go.

6 I don't think I have any further questions
7 at this time. I'm not sure I have any further answers
8 at this time, either.

9 MR. CARR: I would just make one comment,
10 too. Occasionally we have people call and they're
11 very upset that they've been included and have
12 received a notice letter from me about a pooling
13 application and want it understood that they've agreed
14 to join and want to be removed.

15 Some of those factors come into play when
16 you're trying to reach a voluntary agreement, not
17 necessarily in this case, but in other circumstances,
18 where people are concerned about having their name
19 carried forward in a pooling case, for fear that it
20 will be misconstrued as an unwillingness to go forward
21 with the deal. That probably has no relevance to
22 anything.

23 MR. STOVALL: Quite frankly, I think it
24 does, Mr. Carr. It is my intent, and we'll probably
25 be doing this in the future, is attempting to develop

1 in the hearing setting an understanding of these
2 situations with the idea that we may need to relook at
3 our pooling order and the way pooling cases are
4 presented. It has come up as a problem a couple of
5 times. I'm using this opportunity to build a record
6 to perhaps prevent future problems with it. Thank
7 you.

8 I have nothing further at this time.

9 MR. BRUCE: If I could just make a couple
10 of closing comments, Mr. Examiner?

11 As to Santa Fe Energy, as Mr. Stovall
12 previously stated, there was a subpoena which was
13 quashed. Santa Fe Energy does believe that under the
14 statutes, OCD rules and the case laws, the subpoena
15 was proper and should not have been quashed.
16 Regardless, I think the parties have come to terms
17 acceptable to them.

18 However, both Santa Fe Energy and Texaco
19 believe that when an operator requests a party to join
20 in a well, the operator should, in good faith, be
21 willing to share the logs with the other working
22 interest owners because information of this type is
23 normally shared with the other working interest
24 owners.

25 My clients feel that it's hard to make a

1 decision on spending these large sums of money with
2 less than all the facts available to them.

3 And one closing matter, although I didn't
4 question Mr. McCommon about this, Santa Fe and Texaco
5 Producing have both indicated that they will hold the
6 information that will or may be provided by Enron,
7 confidentially.

8 HEARING EXAMINER: Comments will be so
9 noted.

10 MR. STOVALL: I would like to respond again
11 for the purpose, as an issue that we discussed
12 yesterday, the subpoena issue is becoming more and
13 more a factor in this particular case.

14 Mr. Bruce waived any objection to the
15 admission of exhibits based upon information which has
16 been withheld because we quashed the subpoena. That
17 level of cooperation isn't necessarily going to exist
18 in all cases in the future, so that's something to
19 bear in mind, that it may have been a basis for
20 objection. And I think Mr. Bruce was aware of that
21 when he waived it. It's a two-edged sword. This
22 subpoena and quashing is not.

23 Again, I hate to fill the record with this,
24 but these are issues which are coming up and they're
25 not isolated anymore. They're becoming more of a

1 factor in our proceedings.

2 MR. CARR: My closing statement would be,
3 we think the Examiner correctly ruled in quashing the
4 subpoena, but we are willing and anxious to continue
5 to work with Texaco and Santa Fe and anyone else to
6 resolve these questions.

7 HEARING EXAMINER: Does anybody else have
8 any further comments or anything further in Case No.
9 9907?

10 This case will be taken under advisement.
11 (And the proceedings concluded.)

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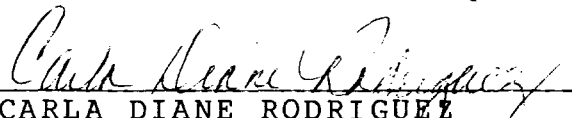
1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4) ss.
5 COUNTY OF SANTA FE)

6 I, Carla Diane Rodriguez, Certified
7 Shorthand Reporter and Notary Public, HEREBY CERTIFY
8 that the foregoing transcript of proceedings before
9 the Oil Conservation Division was reported by me; that
10 I caused my notes to be transcribed under my personal
11 supervision; and that the foregoing is a true and
12 accurate record of the proceedings.


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

17 WITNESS MY HAND AND SEAL May 29, 1990.

18 
19 CARLA DIANE RODRIGUEZ
20 CSR No. 91

21 My commission expires: May 25, 1991

22
23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
the Examiner hearing of Case No. 9907,
heard by me on 16 May 1990.

25 , Examiner
Oil Conservation Division