

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date MARCH 4, 1993 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Maurice Trimmer	Bysan Co	SF
W. Kelerlin	Kelerlin & Kelerlin	Santa Fe
Jerry Hoover	Conoco	Midland TX
MICHAEL MILLER	MURPHY W. BAKTOR	MIDLAND TX.
Terril Herd	" "	" "
Jerry P. Metz	Columbia Gas Development Corp	Houston, Tex.
Fernando E. Flores	" " " "	" "
William A. Sam	Samuelson, Inc. & Samuelson A.	Santa Fe
Scott C. Balke	Phillips Petroleum	Ocala, TX
Simone Gutberlet	" "	" "
Mark McClelland	CONOCO	Midland, TX
Susan Haycock	"	"
Bill Hardie	Conoco	Midland, TX
PAUL ALLAN	MERIDIAN	Farmington, NM

CO OIL CONSERVATION COMMISSION

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REPRESENTING

LOCATION

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

4 IN THE MATTER OF THE HEARING)
5 CALLED BY THE OIL CONSERVATION)
6 DIVISION FOR THE PURPOSE OF)
7 CONSIDERING:)
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CASE NO. 10673

APPLICATION OF MURPHY H. BAXTER

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

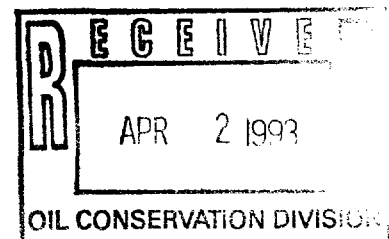
BEFORE: David R. Catanach, Hearing Examiner

March 4, 1993

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on March 4, 1993, at 8:20 a.m. at the Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Freda Donica, RPR, Certified Court Reporter No. 45, for the State of New Mexico.

ORIGINAL



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WAYNE BISSETT

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A P P E A R A N C E S

FOR THE DIVISION:

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Santa Fe, New Mexico 87501

FOR THE APPLICANT:

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& DAWSON
Suite 300 United Bank Building
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Midland, Texas 79701

EXAMINER CATANACH: At this time we'll call 10673.

MR. STOVALL: Application of Murphy H. Baxter for a unit agreement, Roosevelt County, New Mexico.

EXAMINER CATANACH: Are there appearances in this case?

MR. HERD: Yes, sir. I'm Tevis Herd from Midland, Texas, and Mike Miller is a geologist with Murphy H. Baxter.

MR. STOVALL: Mr. Herd, just for the record, you are licensed in New Mexico; is that correct?

MR. HERD: Yes, I am. I'll be happy to show you a bar card.

MR. STOVALL: No, I don't need that. I just wanted to get that on the record.

MR. HERD: Yes, since 1968.

EXAMINER CATANACH: Are there any additional appearances in this case?

MR. HERD: There will be Wayne Bissett, who's a landman, and will present any land material that needs to be presented and answer any questions concerning leases and title opinions, that kind of thing.

1 EXAMINER CATANACH: Can I get the two
2 witnesses to stand up and be sworn in?

3 (Witnesses sworn.)

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

7 EXAMINATION

8 BY MR. HERD:

9 Q. I'll ask Mr. Miller, Mike, can you tell us
10 something about your background to qualify yourself
11 and an expert witness in terms of the geological
12 information that will be presented?

13 A. I received a BS in geology from Texas Tech
14 University, 1979. I've been a practicing geologist
15 since then in Midland, Texas.

16 MR. STOVALL: How are you employed?

17 THE WITNESS: I'm a geologist for Murphy H.
18 Baxter.

19 MR. STOVALL: You are Mike Miller; is that
20 correct?

21 THE WITNESS: Yes.

22 MR. STOVALL: You live in Midland?

23 THE WITNESS: In Midland.

24 Q. (By Mr. Herd) How much work have you done
25 in New Mexico?

A. In New Mexico, active, last eight years, exploration, geology, in Lea, Roosevelt, Chaves County, mainly.

Q. You've overseen the drilling of wells --

A. Yes.

Q. -- that Murphy Baxter has drilled?

A. Yes, on state lands and fee lands in New Mexico.

EXAMINER CATANACH: I think that should suffice. The witness is qualified.

MR. HERD: Thank you. The application is for the approval of an exploratory unit in Roosevelt County, New Mexico, involving now a total of 1680 acres. That will include 320 acres of state lands under state of New Mexico lease, all of the unit agreements -- ratification of the unit agreements have been submitted in connection with our application. And I'll be happy to answer any questions about the title, the leases, the consents that have been obtained and anticipate doing that when Mr. Bissett testifies about land matters.

MR. STOVALL: Mr. Herd, let's clarify one thing, just for the record. The advertisement for the case in the original application was for an area of 1840 acres?

1 MR. HERD: Yes.

2 MR. STOVALL: Based upon conversations we
3 have had, that area has been reduced pursuant to a
4 request from the State Land Office; is that correct?

5 MR. HERD: That's right. It was originally
6 1840, and we reduced it pursuant to a Land Office
7 request to take out some acreage in Section 28, the
8 east half-west half of Section 28, so that the
9 anticipated unit area now comprises 1680.

10 MR. STOVALL: Mr. Examiner, as I advised
11 Mr. Herd and advise you, I don't believe that that
12 change affects the notice because the notice reflects
13 the proper lands and area, and what is being sought by
14 the applicant is a reduction rather than an increase
15 in the unit area.

16 EXAMINER CATANACH: All right.

17 MR. HERD: Anything else for me to get out
18 of the way?

19 MR. STOVALL: Let's move right into your
20 witness at this point. Do you have copies of the
21 exhibits for the Examiner?

22 THE WITNESS: I can leave this set with
23 him.

24 MR. STOVALL: We do need a record for that.

25 Q. (By Mr. Herd) We're ready to present the

1 geological information then, Mr. Miller, in terms of
2 the structural map, isopach maps you have.

3 A. I have a set of three maps here.

4 MR. STOVALL: Maybe what we ought to do in
5 this case is to go ahead and take a second and put
6 them on the walls, since we only have one set, so we
7 can see what's going on. Have they been marked as
8 exhibits?

9 THE WITNESS: No, I don't believe so.

10 MR. STOVALL: There's a rubber stamp. Call
11 them 1, 2, 3, whatever order you want to put them in.

12 A. What the exploratory unit is planned to
13 test is an area -- a truncation trap -- along the edge
14 of the sand dome, which is a part of the arch which
15 extends from eastern New Mexico into West Texas. This
16 is -- the prospect is on the southern edge of this
17 arch and is, again, a truncation tract within which is
18 the Siluro-Devonian, being the objective formation.
19 We have truncations on three sides and updip position
20 by granite knobs, so you have a valley, or a
21 reentrant, filled with the potential pay zone in the
22 Siluro-Devonian. And we have a downdip show of water
23 and an updip truncation well.

24 MR. STOVALL: Mr. Miller, if I might, you
25 are pointing to an exhibit and, to the best of my

knowledge, we have not referred to this exhibit yet.

MR. HERD: We want to identify this as Number 1, 2, and 3.

THE WITNESS: This is the top of the Siluro-Devonian.

MR. STOVALL: Is this a structure map?

THE WITNESS: Yes.

MR. STOVALL: As you're pointing, remember that we're building a record somebody is going to have to read and look at. Kind of identify either by township, section where you're pointing or the color coding that you've used on the map so we can go back and read and kind of picture what you're referring to as you talk, if you don't mind.

THE WITNESS: Okay. The reentrant that I've been referring to is within Township 6, Range 36, 6 South, 36 East, and consists of the bottom two-thirds of that township. Again, it's surrounded by, on Exhibit 1, the pink truncating granite knobs. I have indicated a potential oil-water contact updip from the dry hole in Section 27 of 6, 36. And the unit -- the exploratory unit lies between that dry hole in Section 27 and the updip well in Maxis in Section 17 of 6, 36.

Q. (By Mr. Herd) Where is your anticipated

1 drill site for your first well?

2 A. The proposed drill site is in Section 21,
3 laying between the two aforementioned wells, 1980 from
4 the west line and 660 from the north line. Also
5 Exhibit 2, the isopach map of the pay zone of the
6 Siluro-Devonian, which indicates approximately 400
7 foot of Siluro-Devonian within the proposed unit
8 boundaries as an average. Exhibit Number 3 is a top
9 of granite map, basement map, and shows the
10 relationship between the isopach and the top of the
11 pay.

12 Q. In terms of the unit area, the state lease
13 involved here, State of New Mexico lease, is 320 acres
14 on the south half of Section 16. Will you point --
15 just use any of those maps -- we want to outline what
16 the per unit area is. The unit area does not comprise
17 the yellow. It's less than that. It shows on the --

18 MR. STOVALL: Mr. Miller, are you able to
19 testify as to the unit area, or do you have an
20 exhibit?

21 THE WITNESS: I have an exhibit here, which
22 I'll mark as Exhibit 4, which shows our acreage
23 position and the proposed unit boundaries. They
24 comprise the south half of 16, which is the state
25 acreage, the north half of Section 20, all of Section

21, the south half of Section 22, the north half of the northwest quarter of Section 22. That brings the total up to 1680.

MR. STOVALL: How is the unit boundary indicated? Is that the yellow?

THE WITNESS: By the hatched lines. Again, our acreage position is within the yellow. The red outlines indicate partial interests.

MR. STOVALL: You're talking about Murphy Baxter?

THE WITNESS: Murphy Baxter interests. And the hatched line, as shown in the legend, indicates the exploratory unit boundaries.

Q. (By Mr. Herd) In terms of the structure maps, can you explain why you anticipate the area within the application for the proposed unit to all be productive in the same formation there?

A. Again, if you refer to the Exhibit 1, the top of the Siluro-Devonian, you can see that I have drawn a proposed potential well water contact updip from the wet well in Section 27, which this -- a drill stem test of this formation indicated that there were good pressures and that there were -- there was a potential for hydrocarbons trapped updip from the well indicated by a higher frontal shut-in pressure on the

drill stem test. Again, the northern unit of the boundary -- on the north side of the unit updip from the unit -- exploratory unit boundaries lies the truncation indicated by the Maxis well in Section 17, where no Siluro-Devonian exists. Granite is directly underlying the Permian Formation.

MR. HERD: Any other questions?

MR. STOVALL: Mr. Herd, you do have a landman who will explain the land situation; is that correct?

MR. HERD: Correct.

EXAMINER CATANACH: Mr. Miller, the unit boundary more or less conforms to what you think the producing area will be in the Devonian Formation?

THE WITNESS: Yes, it does.

EXAMINER CATANACH: Is the Devonian the only potentially productive zone in this area?

THE WITNESS: We plan to -- the position of the sediments directly off this granite knob will lend itself to many different types of stratigraphic traps, so we plan to examine the total geologic section for any potential hydrocarbons.

EXAMINER CATANACH: The truncated portion of your map there, how was that determined?

THE WITNESS: It was determined by seismic

1 lines which were acquired by Murphy H. Baxter over the
2 source of a five-year-period study in the area.

3 EXAMINER CATANACH: You're pretty confident
4 that this seismic data tells you that that's what's
5 going on in that area?

6 THE WITNESS: As confident as you can be
7 with the seismic in the area.

8 EXAMINER CATANACH: The well in Section 27,
9 is that the only Devonian well that's been drilled in
10 this area?

11 THE WITNESS: There is also a test
12 two-and-a-half miles to the southwest of that well in
13 Township 7 South, 36 East, Section 2, which also,
14 being in a downdip position, drill stem tests recorded
15 shows water.

16 EXAMINER CATANACH: There's been no
17 penetrations within the unit area?

18 THE WITNESS: No penetrations within the
19 unit area to any depths.

20 EXAMINER CATANACH: There's only one state
21 lease involved in Section 16?

22 THE WITNESS: Correct, the south half of
23 Section 16.

24 EXAMINER CATANACH: Was the seismic data
25 also used to plot the structure?

1 THE WITNESS: Yes, it is, truncations and
2 the top of the granite, the top of the
3 Siluro-Devonian.

4 EXAMINER CATANACH: How was your oil-water
5 content determined?

6 THE WITNESS: An estimate.

7 EXAMINER CATANACH: I believe that's all I
8 have.

9 Do you have anything?

10 MR. STOVALL: The State Land Office, the
11 portions that they removed, was that based upon your
12 geologic presentation to them?

13 THE WITNESS: I do not believe so. It was
14 removed due to our irregular shape, more than
15 anything. The Land Office indicated a request for
16 more uniform shape to their exploratory unit.

17 MR. STOVALL: That would probably be more
18 in the landman's expertise area than yours then,
19 right?

20 THE WITNESS: Correct.

21 MR. STOVALL: That's all I have.

22 EXAMINER CATANACH: The witness may be
23 excused. We will go on to your next witness.

24 MR. HERD: Wayne Bissett, landman in
25 Midland.

1 WAYNE BISSETT

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

4 EXAMINATION

5 BY MR. HERD:

6 Q. Do you want to set forth your experience
7 and qualifications?

8 A. I have a business degree from Southwestern
9 University, Georgetown, Texas. I've been an
10 independent landman since May 1981. I work primarily
11 in New Mexico and Texas. I've been familiar with this
12 project, started checking records on it, I believe, in
13 1988, working for Murphy H. Baxter. I do exclusive
14 work for Mr. Baxter out of the Midland office. I've
15 checked the records on it. I've provided all the
16 abstracts to counsel for all title opinions, have been
17 on all the area in the exploratory unit that have had
18 title opinions on them. Every royalty owner has
19 ratified the exploratory unit in its present form.

20 MR. HERD: We have title opinions on all
21 the lands in the unit which we will be happy to submit
22 as evidence, if you'd like for us to. When I asked
23 you about that earlier, Mr. Stovall, you said you
24 didn't know whether it would be necessary. But we do
25 have title opinions that reflect all the mineral

1 interests, and all the lands in the unit have been
2 leased. And Mr. Bissett is familiar with the leasing
3 activities.

4 MR. STOVALL: Do you have any certification
5 with the AAPL?

6 THE WITNESS: No, I'm not a member of the
7 AAPL. I dropped that.

8 MR. STOVALL: That's not a problem. You're
9 offering Mr. Bissett as an expert qualified landman;
10 is that correct?

11 MR. HERD: Yes.

12 EXAMINER CATANACH: Mr. Bissett is so
13 qualified.

14 Q. (By Mr. Herd) We have title opinions that
15 you're familiar with that cover all the lands in the
16 unit?

17 A. Yes, sir, we have title opinions on all
18 property.

19 Q. Are you familiar with the acquiring of the
20 leases?

21 A. Yes, sir, I am with some of it.

22 Q. In all the unit area?

23 A. Yes, sir. I'm familiar with the leases. I
24 have copies of all the leases; and, just in
25 generalizations, it's pretty simple from a land point

1 of view. It's not very complex.

2 Q. The minerals are not?

3 A. No, sir, they're not at any great degree at
4 all.

5 Q. Can you state whether all the mineral
6 interests, the lands in the unit, are subject to a
7 lease?

8 A. Yes, sir, they are. Everything is leased,
9 a hundred percent.

10 Q. And can you just explain who the owners of
11 the leases are?

12 A. Yes. Murphy H. Baxter, he has an internal
13 company, Wing Corporation, of his wife's estate, Betty
14 H. Baxter. They're all principally Murphy H. Baxter
15 companies.

16 Q. In terms of the formation of the
17 anticipated exploratory unit, did you approach all the
18 mineral owners and royalty owners to inform them of
19 the anticipated formation of the unit and try to
20 obtain their consent to it?

21 A. Tom Sloane, who is my previous business
22 partner, in business with since 1981, and an
23 acquaintance since the early seventies, did the
24 majority of the ratifications. I don't want to say
25 under my guidance, but I knew about it and was with

him, so to speak, you know, doing it, and have examined them. And, you know, I know that everybody has signed up. Everybody ratified. Everybody is, you know, well aware, and they understand what the unit is.

MR. HERD: We previously submitted with our application copies of all consents and ratifications from all mineral and royalty owners in the entire unit area, of course, with the exception of the State of New Mexico. And we've got extra copies of those, if they need to be submitted as exhibits.

MR. STOVALL: Mr. Bissett, let me ask you -- I have, and I think this was submitted as part of the application -- I'm going to hand it to you, and then let's go ahead and mark this as Exhibit 5. Would you review that and tell me if that is, in fact, the unit agreement which has been approved to which you're referring that parties have ratified? I'm going to assume that there are some changes in the Exhibit A to that agreement, since you've changed the application since it was submitted.

THE WITNESS: This is it, yes, sir.

MR. STOVALL: It is on a State Land Office unit agreement form?

THE WITNESS: Yes, sir.

MR. STOVALL: And would you take a look at -- I assume there's an Exhibit A with the lands and leases described; is that correct, to the unit agreement? I may not have the right exhibit letter.

THE WITNESS: Yes, sir, it's Exhibit A.

MR. STOVALL: Is that one correct that has been submitted with the application, or do we need to get a revised Exhibit A that shows the unit area and lands?

MR. HERD: Mr. Stovall, in glancing at that exhibit from here, I think that's the initial one that I sent to you. I sent a revised one after the State Land Office asked us to delete some lands in Section 28. So there should be one in the file, but I've got two or three extras here that can be marked.

MR. STOVALL: Let's mark the revised one and not mark the original.

MR. HERD: That should be it right there.

MR. STOVALL: While Mr. Herd is doing that, Mr. Bissett, is this only state and fee lands involved in this unit?

THE WITNESS: Yes, sir.

MR. STOVALL: No federal lands or Indian lands? I assume that's a no?

THE WITNESS: Yes, sir, no.

1 MR. HERD: There are no federal lands
2 involved. Would you like for us to submit copies of
3 the title opinions covering the unit area as exhibits?

4 MR. STOVALL: For my own opinion, I believe
5 that Mr. Bissett's testimony that he has acquired the
6 title is satisfied. Obviously, we do not make title
7 determinations. And if you've missed anybody, they're
8 not affected by the order. Is there a unit operating
9 agreement proposed for this?

10 MR. HERD: Yes, there is, and it's right
11 here, and I'd like to submit it as Exhibit 6. Murphy
12 H. Baxter is named as operator in the unit operating
13 agreement.

14 MR. STOVALL: The participation in the unit
15 is on an acreage basis; is that correct?

16 THE WITNESS: Yes, sir.

17 MR. STOVALL: Is this a divided or
18 undivided unit, in the sense of participation?

19 THE WITNESS: Well, I would say it was an
20 undivided.

21 MR. STOVALL: The entire unit
22 participation?

23 THE WITNESS: Yes, sir, everything in the
24 acreage will be under that well.

25 MR. HERD: That's in accordance with the

State Land Office form.

MR. STOVALL: The operating agreement has been marked as Exhibit 6. And this is the operating agreement, Mr. Bissett, that has been ratified by the parties? I mean, executed by the operating working interest parties?

THE WITNESS: Yes, sir. All the working interest parties, yes, sir.

MR. STOVALL: In looking at the land map, Exhibit Number 4, Mr. Miller testified that the areas in red, they all appear to be outside the unit areas that are only partially owned by Murphy Baxter; is that correct?

THE WITNESS: Yes, sir.

MR. STOVALL: Do you need to look at this?

Q. (By Mr. Herd) Do you understand the question?

A. No, I didn't, exactly.

Q. The lands on that plat that are outlined in red represent what type of interest in terms of Baxter's interest in the leases?

A. Partial interest in leases.

Q. Are all those lands that are so marked as partial interests outside the unit area?

A. Yes, sir, they're all outside of the unit.

1 Everything that's inside the unit is leased and
2 ratified.

3 MR. STOVALL: And the working interest is
4 owned by the Baxter entities?

5 THE WITNESS: Yes, sir, a hundred percent.

6 MR. HERD: I think that concludes the
7 presentation that I have for him to make. If you have
8 any questions --

9 EXAMINER CATANACH: Mr. Bissett, the
10 unitized formations include all formations from the
11 surface --

12 THE WITNESS: To the base of the
13 production.

14 MR. STOVALL: All formations, I believe, is
15 the language of the agreement.

16 THE WITNESS: Yes, sir.

17 EXAMINER CATANACH: Can you just go into a
18 little bit of why the acreage in Section 28 was
19 removed by the State Land Office, or requested to be
20 removed?

21 THE WITNESS: My understanding is that the
22 irregular shape, that -- in a nutshell, that was it,
23 that it wasn't really a geologic -- or just simply
24 because of the shape, that it appeared to be irregular
25 by a rule. I don't know how to say it any better than

1 that.

2 MR. STOVALL: The State Land Office
3 normally issues a conditional approval letter. Have
4 you received such a letter from them?

5 THE WITNESS: I have not received one in my
6 office. I don't know whether the main office has one.

7 MR. HERD: Yes, the Murphy H. Baxter office
8 has received one, and I'll be happy to furnish you
9 with a copy of it.

10 MR. STOVALL: Let's mark that as Exhibit 7
11 and then get a copy of that in.

12 MR. HERD: This is a letter dated February
13 24, 1993, from the Commissioner of Public Lands of the
14 State of New Mexico, Mr. Baca, to Murphy H. Baxter,
15 granting preliminary approval as to the form and
16 content of the unit agreement for the Parks State Unit
17 area, subject to approval by the New Mexico Oil
18 Conservation Division and the approval of the unit
19 operating agreement and submission of the other
20 instruments we have here today, the unit operating
21 agreement and the ratifications for your final
22 approval.

23 MR. STOVALL: Mr. Herd, has any direct
24 notice by mail been given to any of the interest
25 owners in this area, or are you relying just on

publication notice?

MR. HERD: We're relying on publication notice.

MR. STOVALL: That may be a problem. We may have to continue this hearing and ask that you give personal notice. I realize we didn't discuss this before, but I think our rules would require notice to be given to those people, as well as by publication.

MR. HERD: What do you mean by "those people"?

MR. STOVALL: Well, we'll have to check the rule book. You and I can confer after we conclude this hearing and look at the rule book and make sure that we've got adequate notice.

MR. HERD: My understanding was that the notice that your office published -- I assume you used the form that I had sent -- I don't know whether you did or not because I haven't seen the actual publication -- was all we needed to do.

MR. STOVALL: You and I can get together after the conclusion of this hearing and determine what additional notice may be required.

MR. HERD: Are you speaking of --

MR. STOVALL: Personal notice.

1 MR. HERD: -- operators in the area or
2 leasehold owners in adjacent lands?

3 MR. STOVALL: Let's go over and look
4 specifically at the rules, and we'll tell you exactly
5 who we mean, because I don't remember them right off
6 the top of my head.

7 Anything further?

8 MR. HERD: No.

9 EXAMINER CATANACH: I have nothing
10 further. At this point, we'll just wait and determine
11 whether we need to continue this case or not after you
12 have your discussion. We'll admit Exhibits 1 through
13 7 as evidence in this case. And just advise me, Mr.
14 Stovall, what to do as far as the continuance is
15 concerned.

16 MR. STOVALL: Be happy to.

17 EXAMINER CATANACH: Thank you. Do you need
18 to take these exhibits?

19 MR. HERD: We'll be happy to leave them.

20 (Recess, 8:45 a.m. to 9:35 a.m.)

21 MR. STOVALL: Mr. Herd, do you want to come
22 back up to the table here and we'll go on the record?

23 Mr. Examiner, returning to the Murphy
24 Baxter Case 10673, Mr. Herd and I have reviewed the
25 Oil Conservation Division rules regarding notice.

There are no specific rules which require notice in the case of a unit agreement application. There is the general provision under Rule 1207 that requires notice to affected parties.

Mr. Herd's feeling is, as I explained to him, that if, in fact, there is a party who did not receive notice who might be adversely affected, they could ask to have the case reopened. But it is their opinion, and they are -- the opinion of Murphy Baxter that they have got the joinder of every working interest and every royalty interest within the unit area, and it is their opinion at this time that they do not believe that providing additional notice to those parties would be of any benefit. We've not recommended any changes to the unit agreement at this time. And given the fact that they understand that there is the potential for reopening, as there always is, it's not absolutely essential that we provide additional notice at this time in this case.

EXAMINER CATANACH: Let me ask Mr. Herd this: In terms of the acreage that was removed from the unit, are the interest owners aware of that change, the interest owners remaining in the unit?

MR. HERD: Yes, they are.

EXAMINER CATANACH: The interest owner who

1 may have been included by that removal of acreage,
2 have you talked to that party?

3 MR. HERD: Both parties.

4 EXAMINER CATANACH: They don't have any
5 problem with what the changes were?

6 MR. STOVALL: Mr. Miller, have you engaged
7 in those conversations?

8 MR. MILLER: Yes, some of them.

9 MR. STOVALL: Why don't you come on up
10 then, and perhaps you can answer these questions
11 better than Mr. Herd. Recall Mr. Miller to the
12 stand. You're still under oath, by the way.

13 You heard the Examiner's questions?

14 MR. MILLER: Yes. The interest owners that
15 were left out of the unit because of the contraction
16 were notified. And, of course -- and we explained why
17 this had happened. And they were -- the people were,
18 of course, somewhat disappointed, but encouraged us to
19 proceed with our plans because of the benefit in
20 drilling the well in that area, in general.

21 MR. STOVALL: If I remember correctly,
22 Baxter still holds the leases to those parcels; is
23 that correct?

24 MR. MILLER: Yes.

25 MR. HERD: Baxter owns 100 percent of the

leases in all the areas that were originally proposed.

MR. STOVALL: And in the event you're successful in that area, I assume you would have some obligation to protect those lands from drainage, too, as well.

MR. MILLER: Yes, by the nature of the leases themselves.

MR. HERD: And to maintain them, we'd have to develop them since it would be in the unit.

EXAMINER CATANACH: All right.

MR. STOVALL: Given the specific nature of this case and the 100 percent communication and participation, I think that -- Mr. Herd, correct me if I'm wrong, but Baxter is willing to take the risk.

MR. HERD: We're willing to take the risk and provide without further notice.

MR. STOVALL: They are not in violation of any of the rules of the Division at this time.

EXAMINER CATANACH: All right. On the advise of my counsel, we'll go ahead and take this case under advisement at this time.

MR. HERD: Thank you very much, Mr. Catanach.

EXAMINER CATANACH: Thank you.

EXAMINER CATANACH: Let's take ten minutes,

1 15 minutes here.

2 (End of Proceedings, 9:45 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10673,
heard by me on March 4, 1993.

David R. Calant, Examiner
Oil Conservation Division

STATE OF NEW MEXICO)


:

COUNTY OF SANTA FE)

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

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

DATED at Santa Fe, New Mexico, this 26th day of March, 1993.



Freda Donica
Certified Court Reporter
CCR No. 45