

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

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)
APPLICATION OF NADEL AND GUSSMAN)
PERMIAN, L.L.C., FOR COMPULSORY)
POOLING, EDDY COUNTY, NEW MEXICO)

CASE NO. 13,044

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, JR., Hearing Examiner

April 10th, 2003

Santa Fe, New Mexico

RECEIVED
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Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, JR., Hearing Examiner, on Thursday, April 10th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

April 10th, 2003
Examiner Hearing
CASE NO. 13,044

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APPLICANT'S WITNESS:	
<u>SAM H. JOLLIFFE, IV</u> (Landman)	
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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	8
Exhibit 2	7	8

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

ALSO PRESENT:

DAVID R. CATANACH
Hearing Examiner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 8:37 a.m.:

3 EXAMINER BROOKS: At this time we Case Number
4 13,044, Application of Nadel and Gussman Permian, L.L.C.,
5 for compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce representing
8 the Applicant. I have one witness, and the witness is Mr.
9 Jolliffe, who was previously sworn in and qualified as an
10 expert, if the record could reflect that.

11 EXAMINER BROOKS: Okay, the record will reflect
12 that the witness has been sworn and remains under oath.

13 SAM H. JOLLIFFE, IV,
14 the witness herein, having been previously duly sworn upon
15 his oath, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. BRUCE:

18 Q. Mr. Jolliffe, could you describe what Nadel and
19 Gussman seeks in this case?

20 A. Yes, sir, we seek an order pooling mineral
21 interests from surface to the base of the Morrow formation
22 in the south half of Section 27, Township 23 South, Range
23 26 East in Eddy County.

24 Q. What well will be dedicated to this acreage?

25 A. The South Carlsbad State 27 Number 7.

1 Q. What is the location of the well by quarter
2 quarter section?

3 A. It's in the northwest quarter of the southwest
4 quarter of Section 27.

5 Q. Has this well already been drilled?

6 A. Yes.

7 Q. Okay. Who you seek to pool in this case?

8 A. We seek to pool the record title owners of State
9 Lease Number K-3403-2, which covers the south half of the
10 southwest and the north half of the southeast of Section
11 27.

12 Q. Does it also cover acreage in the north half of
13 Section 27?

14 A. Yes, it does. It also covers the -- I believe
15 it's the north half northwest, and southwest northwest of
16 Section 27.

17 Q. Okay. Now, who is the record title owner?

18 A. The record title owners on this particular lease
19 are J.M. Huber Corporation and Natomas North America, Inc.

20 Q. Okay. Now, you're not seeking to pool Huber
21 Corporation, are you?

22 A. No, just Natomas.

23 Q. Now, does Natomas of record own any operating
24 rights?

25 A. No.

1 Q. Just bare record title?

2 A. Just record title, that's correct.

3 Q. Okay. Now, what is the chain of title to this
4 interest?

5 A. Okay, Natomas conveyed to Apache Corporation, and
6 then Apache assigned to Terra Resources, and then Terra
7 went into Pacific Enterprises, and then Pacific Enterprises
8 changed its name to Sempra Energy Production Company.

9 Q. However, is that chain of title reflected in the
10 records of the Commissioner of Public Lands?

11 A. No, it is not.

12 Q. Or is it reflected in Eddy County?

13 A. No --

14 Q. So --

15 A. -- the chain of title into Sempra is not in Eddy
16 County.

17 Q. Okay. So due to some glitch in the assignments,
18 Natomas still owns the record title of interest, but it
19 really doesn't own any operating rights?

20 A. That's correct, Natomas is still shown on the
21 State records, State Land Office records.

22 Q. Okay. Have you contacted Sempra?

23 A. Yes, we have.

24 Q. And is Exhibit 1 a copy of the letter to Sempra?

25 A. Yes.

1 Q. Have you had a phone conversation with Sempra?

2 A. Yes, we have. As a matter of fact, they called
3 not too long ago and said they had no idea of what was
4 going on here. They had nothing in their records.

5 Q. To show that they owned this?

6 A. To show that they owned this --

7 A. To show that they owned this record title.

8 Q. Okay. Because this is record title ownership
9 only that you seek to pool, you don't seek a penalty on the
10 interest, do you?

11 A. No.

12 Q. Does Nadel and Gussman request that it be named
13 operator?

14 A. Yes.

15 Q. The purpose of this is simply to get a
16 communitization agreement approved by the Land
17 Commissioner?

18 A. That's correct.

19 Q. Was Sempra notified of this hearing?

20 A. Yes.

21 Q. And is Exhibit 2 my affidavit of notice?

22 A. Right.

23 Q. Were Exhibits 1 and 2 prepared by you or under
24 your supervision or compiled from company business records?

25 A. Yes.

1 Q. And in your opinion is the granting of this
2 Application in the interests of conservation and the
3 prevention of waste?

4 A. Yes, sir.

5 MR. BRUCE: Mr. Examiner, I'd move the admission
6 of Nadel and Gussman Exhibits 1 and 2.

7 EXAMINER BROOKS: Exhibits 1 and 2 are admitted.

8 MR. BRUCE: And I have nothing further of this
9 witness.

10 EXAMINATION

11 BY EXAMINER BROOKS:

12 Q. Explain to me this title situation a little bit
13 more. Who is the -- Is the chain of title to the operating
14 interest of record? Because the chain of title out of
15 Natomas is not of record in either county or state.

16 A. Right, right. Mr. Bruce -- and correct me if I'm
17 not correct -- had some additional information after we
18 asked him to help us on this issue, that he was aware of in
19 the federal records that it had gone into Sempra, but
20 nothing was in the state or the county. And of course
21 conversations with Jeff Albers, with the State, he said all
22 I've got is Natomas, and you need to get them or their
23 successor, if you can find it, to sign the communitization
24 agreement.

25 All other record title owners have signed the

1 communitization agreement except for Sempra now.

2 Q. Well, did Natomas dispose of -- or assign the
3 operating rights before they disposed of -- before the
4 assignment?

5 A. I believe that's correct, I believe that's
6 correct.

7 Q. So there's a chain of title in the county to the
8 operator?

9 A. The operating rights, yes, sir, and that's -- you
10 know, we've got all the operating rights signed up.
11 They're in the well. But that's correct, apparently the
12 operating rights either went out to them or by their
13 predecessor in title.

14 Q. Okay.

15 A. And they were hung with the record title.

16 Q. My concern was that the chain of title was not of
17 record either in the county or the state, that there might
18 be some outstanding --

19 A. Yeah, no, we --

20 Q. -- working interest that we didn't know about.

21 A. No, sir, we've had a -- of course, title opinion
22 done on the section, and operating rights are tied up.
23 We're in good shape there.

24 EXAMINER BROOKS: Very good. Thank you.

25 THE WITNESS: Thank you.

1 EXAMINER BROOKS: Mr. Catanach?

2 EXAMINER CATANACH: (Shakes head)

3 EXAMINER BROOKS: Case Number 13,044 will be
4 taken under advisement.

5 (Thereupon, these proceedings were concluded at
6 8:45 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. 13044
heard by me on April 10, 2003
David K. Butler Examiner
Oil Conservation Division

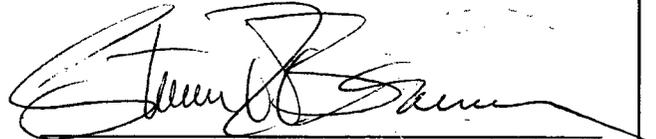
CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL April 11th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006

NADEL AND GUSSMAN PERMIAN, LLC
601 North Marienfeld, Suite 508
Midland, Texas 79701
Phone: (915) 682-4429
Fax: (915) 682-4325

March 19, 2003

Sempra Energy Production Company
8235 Douglas Avenue, Suite 525
Dallas, Texas 75225

Re: Communitization Agreement
S/2 Section 27, T-23-S, R-26-E, NMPM
Eddy County, New Mexico
South Carlsbad State No. "27" 7

Gentlemen:

Nadel and Gussman is currently in the process of forming a 320 acre spacing unit for the production of oil and gas. We are therefore required by the State of New Mexico to communitize the oil and gas leases under the captioned land. The State of New Mexico requires the record title owners to execute the Communitization Agreement.

Record Title under one of the Oil and Gas Leases is still shown by the State of New Mexico to be in the name of Natomas North America Inc.

It is our understanding that Natomas North America, Inc. was acquired by Terra Resources, Inc., Terra merged into Pacific Enterprises Oil Company (USA), which then merged into or changed its name to Pacific Enterprises ABC Company, which then changed its name to Sempra Energy Production Company.

If our information as to chain-of-title is correct, we respectfully request that you execute the Agreement and return all copies to this office.

We have secured the signatures from the other record title owners for the captioned land.

Therefore, we have enclosed four (4) originals of the captioned Communitization Agreement to be executed by the successor to Natomas North America, Inc.

If you have any questions please call the undersigned at the above number.

Thank you for your attention to this matter.

Very truly yours,

Frank K. Wolfe

cc: Mr. James Bruce, Attorney
Santa Fe, New Mexico

OIL CONSERVATION DIVISION

CASE NUMBER

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF NADEL AND GUSSMAN
PERMIAN, L.L.C. FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

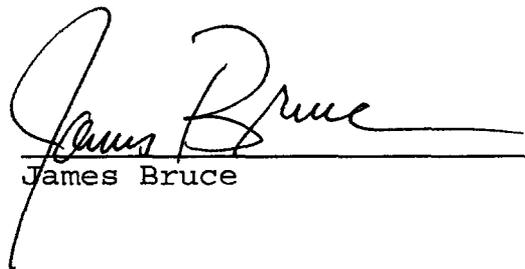
Case No. 13044

AFFIDAVIT REGARDING NOTICE

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

James Bruce, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters set forth herein.
2. I am an attorney for Applicant.
3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the Application filed herein.
4. Notice of the Application was provided to the interest owner at its correct address by certified mail. Copies of the notice letter and certified return receipt are attached hereto as Exhibit A.
5. Applicant has complied with the notice provisions of Division Rule 1207.



 James Bruce

SUBSCRIBED AND SWORN TO before me this 7th day of April, 2003, by James Bruce.



 Notary Public

My Commission Expires:
3/14/05

OIL CONSERVATION DIVISION
 CASE NUMBER _____
 EXHIBIT 2

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE)
(505) 982-2151 (FAX)

jamesbruc@aol.com

March 20, 2003

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Sempra Energy Production Company
Suite 525
8235 Douglas Avenue
Dallas, Texas 75225

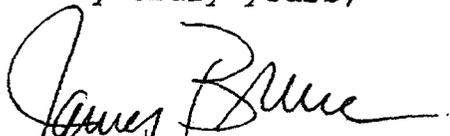
Ladies and Gentlemen:

Enclosed is a copy of an application for compulsory pooling, filed with the New Mexico Oil Conservation Division by Nadel and Gussman Permian, L.L.C., regarding the S $\frac{1}{2}$ of Section 27, Township 23 South, Range 26 East, N.M.P.M., Eddy County, New Mexico. This application is scheduled to be heard at 8:15 a.m. on Thursday, April 10, 2003 at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. As an interest owner in the well unit, you have the right to appear at the hearing and present evidence. Failure to appear at the hearing will preclude you from contesting this matter at a later date.

You are requested to notify the Division, and the undersigned, by Friday, April 4, 2003, if you intend to enter an appearance and participate in the case.

Please note that this application is to pool the record title interest of Natomas North America, Inc., your predecessor-in-interest. You do not own a working interest in the well.

Very truly yours,


James Bruce

Attorney for Nadel and Gussman Permian, L.L.C.



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Sempra Energy Production Company
Suite 525
8235 Douglas Avenue
Dallas, Texas 75225

2. Article Number

(Transfer from service label)

PS Form 3811, August 2001

7002 2030 0004 5186 4659

Domestic Return Receipt

102595-02-M-1640

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 B. McArthur Addressee
 B. Received by (Printed Name) *B. McArthur* C. Date of Delivery *3/19/03*
 D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes

NGP/SC

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**NO POSTAGE
 NECESSARY
 IF MAILED
 IN THE
 UNITED STATES**

Postage	\$ 0.8376	UNIT 750500
Certified Fee	2.320	SANTA FE, NM
Return Receipt Fee (Endorsement Required)	1.75	Postmark Here
Restricted Delivery Fee (Endorsement Required)	4.648	Mar 19 2003
Total Postage & Fees	\$	Clerk: 2003

Sent To

Sempra Energy Production Company
Suite 525

Street, Apt. No.,
or PO Box No.
City, State, ZIP+4

8235 Douglas Avenue
Dallas, Texas 75225

PS Form 3800, June 2002

See Reverse for Instructions