

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 SAMSON RESOURCES )  
COMPANY FOR COMPULSORY POOLING AND )  
AN UNORTHODOX GAS WELL LOCATION, )  
EDDY COUNTY, NEW MEXICO )

CASE NO. 13,353

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

November 4th, 2004

Santa Fe, New Mexico

2004 NOV 18 AM 10 49

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, November 4th, 2004, 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.

Handwritten initials: S.T.B. 11/18/04

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## I N D E X

November 4th, 2004  
Examiner Hearing  
CASE NO. 13,353

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APPLICANT'S WITNESS:	
<u>ELIZABETH E. MOSES</u> (Landman)	
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## E X H I B I T S

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\* \* \*

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

## FOR THE DIVISION:

GAIL MacQUESTEN  
 Deputy General Counsel  
 Energy, Minerals and Natural Resources Department  
 1220 South St. Francis Drive  
 Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

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

## FOR HARVEY E. YATES COMPANY:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
 110 N. Guadalupe, Suite 1  
 P.O. Box 2208  
 Santa Fe, New Mexico 87504-2208  
 By: WILLIAM F. CARR

\* \* \*

1                   WHEREUPON, the following proceedings were had at  
2 9:42 a.m.:

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7                   EXAMINER JONES: Let's call Case 13,353,  
8 readvertised, Application of Samson Resources Company for  
9 compulsory pooling and an unorthodox gas well location,  
10 Eddy County, New Mexico.

11                   Call for appearances.

12                   MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
13 representing the Applicant. I have one witness to be  
14 sworn.

15                   EXAMINER JONES: Other appearances?

16                   MR. CARR: May it please the Examiner, my name is  
17 William F. Carr with the Santa Fe office of Holland and  
18 Hart, L.L.P. We represent Harvey E. Yates Company in this  
19 matter, and I have no witnesses.

20                   EXAMINER JONES: I'm sorry, Mr. Bruce, did you  
21 say no witnesses?

22                   MR. BRUCE: One witness, Mr. Examiner.

23                   EXAMINER JONES: One witness. Will the witness  
24 please stand to be sworn?

25                   (Thereupon, the witness was sworn.)

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ELIZABETH E. MOSES,

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

DIRECT EXAMINATION

BY MR. BRUCE:

Q. Would you please state your name and city of residence for the record?

A. Elizabeth Moses, Midland, Texas.

Q. Who do you work for and in what capacity?

A. I am a consulting landman for Samson Resources Company.

Q. Have you previously testified before the Division?

A. Yes.

Q. And were your credentials as an expert petroleum landman accepted as a matter of record?

A. Yes.

Q. And are you familiar with the land matters involved in this case?

A. Yes.

MR. BRUCE: Mr. Examiner, I'd tender Ms. Moses as an expert petroleum landman.

EXAMINER JONES: Ms. Moses is qualified as an expert petroleum land manager.

Q. (By Mr. Bruce) Would you please identify Exhibit

1 1 for the Examiner and describe the well unit and the  
2 well's location?

3 A. Exhibit 1 is a location plat highlighting the  
4 east half of Section 17, 18 South, 30 East, Eddy County.  
5 We're seeking an order to pool the east half for the  
6 purposes of re-entering a Morrow well. The well is located  
7 2310 from the north line and 660 from the east line.

8 Q. Okay, so this well was drilled what, sometime in  
9 1997?

10 A. Yes.

11 Q. And was plugged and abandoned, I believe?

12 A. Yes.

13 Q. And Samson proposes to re-enter that well and to  
14 test one or more formations; is that correct?

15 A. That's correct.

16 Q. Now, when this well was drilled, its location, I  
17 believe, was orthodox under then-existing pool rules; is  
18 that correct, Ms. Moses?

19 A. That's correct.

20 Q. Under today's rules it's unorthodox because it's  
21 too close to that center quarter section line, and Samson  
22 does request approval of the unorthodox location?

23 A. Yes.

24 Q. And with respect to the unorthodox location, the  
25 well is not encroaching on anyone outside the well unit, so

1 no one has been notified with respect to the unorthodox  
2 location; is that correct?

3 A. That's correct.

4 Q. I would refer you to Exhibit 2, and could you  
5 just briefly identify that for the Examiner and tell the  
6 Examiner who on this list needs to be force-pooled?

7 A. Exhibit 2 is a list of all the working interest  
8 owners, showing their working interest. I have a -- the  
9 last column on the right, entitled "Election", those that  
10 are indicated "participate" signed a joint operating  
11 agreement and do not need to be pooled.

12 The others with no response listed by their name,  
13 or if it says "be force pooled", need to be force pooled.  
14 There are some parties that want to be force pooled.

15 Q. Okay, so if it says "participate" they are not to  
16 be force pooled into the well?

17 A. That's correct.

18 Q. Okay. Next, let's move on to your efforts to  
19 obtain the voluntary joinder of the interest owners in the  
20 well. I would refer you to Exhibit 3 and ask you to  
21 identify that packet for the Examiner.

22 A. Exhibit 3 is copies of all the correspondence  
23 that I've had with the various working interest owners.  
24 They were originally sent a letter August 23rd, 2004,  
25 proposing the well, and there were follow-up letters sent

1 on September 20th and on October 15th. And I've also  
2 called them, and most of my conversations with them are  
3 noted on the correspondence.

4 Q. Okay. Now, there's a bunch of interest owners,  
5 and you have gotten -- just roughly, what percentage of the  
6 parties are voluntarily participating in the well, just off  
7 the top of your head?

8 A. About 20 percent -- well, excluding the operator,  
9 about 20 percent.

10 Q. Okay. And Samson has 67, so you're closing in on  
11 90 percent have voluntarily agreed to participate in the  
12 well?

13 A. Correct.

14 Q. Okay. In your opinion has Samson made a good-  
15 faith effort to obtain the voluntary joinder of the  
16 interest owners in the well?

17 A. Yes.

18 Q. Could you identify Exhibit 4 for the Examiner and  
19 discuss the cost of the proposed well?

20 A. Exhibit 4 is an AFE for this re-entry. It's to a  
21 proposed depth of 12,000 feet. The dryhole costs are  
22 \$274,478, the completed cost \$1,081,418.

23 Q. And is this cost in line with the cost of other  
24 wells re-entered and recompleted at this depth in this area  
25 of Eddy County?

1 A. Yes.

2 Q. Does Samson request that it be designated  
3 operator of the well?

4 A. Yes.

5 Q. And what overhead rates is Samson requesting?

6 A. \$6500 a month for a drilling well and \$650 a  
7 month for a producing well.

8 Q. Are these amounts equivalent to those normally  
9 charged by Samson and other operators in this area of Eddy  
10 County?

11 A. Yes, they are.

12 Q. And do you request that the overhead rates be  
13 adjusted periodically as provided by the COPAS accounting  
14 procedure?

15 A. Yes.

16 Q. Does Samson request the maximum cost-plus-200-  
17 percent penalty or risk charge be assessed against any  
18 nonconsenting interest owners?

19 A. Yes.

20 Q. And finally, were all of the interest owners  
21 notified of this hearing by certified mail?

22 A. Yes.

23 Q. And is Exhibit 5 the affidavit of notice?

24 A. Yes.

25 Q. In Exhibit 5, the very last page, Ms. Moses,

1 there's one notice to the Estate of William Dooley.  
2 Everyone received individual certified notice except this  
3 one. Besides my mailing, did Samson also have trouble  
4 contacting this person?

5 A. Yes.

6 Q. And had Samson made a good-faith search of the  
7 county and other records to determine any last known  
8 address for this person?

9 A. Yes, we used the last known address that we could  
10 find in the Eddy County records.

11 MR. BRUCE: As a result, Mr. Examiner, since  
12 Paula Dooley could not be located, Exhibit 6 is the  
13 affidavit of notice -- affidavit of publication of the  
14 legal notice published in Eddy County.

15 Q. (By Mr. Bruce) Ms. Moses, were Exhibits 1  
16 through 6 prepared by you or under your supervision or  
17 compiled from company business records?

18 A. Yes.

19 Q. And in your opinion is the granting of this  
20 Application in the interests of conservation and the  
21 prevention of waste?

22 A. Yes.

23 Q. One final question. Would Samson request an  
24 expedited order in this matter?

25 A. Yes, we would, we have a window for a rig pretty

1 soon, and we would request an expedited order. We're  
2 planning on moving on November 15th.

3 MR. BRUCE: Mr. Examiner, if I could, I can  
4 provide a draft order to you.

5 EXAMINER JONES: I think I can do it.

6 MR. BRUCE: Okay.

7 EXAMINER JONES: But November 15th, that means --  
8 When would you need the order?

9 THE WITNESS: As soon as we possibly could, so we  
10 could get the ball rolling. Like today?

11 EXAMINER JONES: I see.

12 MR. BRUCE: I mean, obviously the notice period  
13 is going to be running during the period of elections, but  
14 we'd like to get at least the order beforehand so we could  
15 at least send the election orders before the operations  
16 commence.

17 EXAMINER JONES: Some people start drilling  
18 before we give them a -- I understand, before we do a  
19 compulsory -- You don't like to do that, huh?

20 THE WITNESS: We don't like to do that, but with  
21 rigs the way they are these days, sometimes you're forced.

22 MR. BRUCE: Anything I can do to help, Mr.  
23 Examiner.

24 EXAMINER JONES: Okay, Mr. Carr?

25 MR. CARR: I have no questions.

1 MR. BRUCE: Oh, and Mr. Examiner, I'd move the  
2 admission of Exhibits 1 through 6.

3 EXAMINER JONES: Exhibits 1 through 6 will be  
4 admitted to evidence.

5 EXAMINATION

6 BY EXAMINER JONES:

7 Q. This Morrow is a -- Morrow recompletions are  
8 traditionally kind of difficult because the Morrow gets  
9 damaged when you additionally drill it, but obviously they  
10 think this -- do you have any of your parties that did not  
11 agree with this so far talk about that or give a reason for  
12 not signing it?

13 A. Some of the parties that haven't participated so  
14 far, I think some of their questions had to do with the  
15 amount of the AFE --

16 Q. Okay.

17 A. -- and there were several reasons -- a  
18 recompletion, as you said, you just don't know what's going  
19 to happen.

20 EXAMINER JONES: Okay.

21 (Off the record)

22 Q. (By Examiner Jones) Okay, why did some people  
23 want to be force pooled?

24 A. I asked them that question, and they just said  
25 that's what they want to do. They couldn't give me a good

1 reason, and I was like, you'd be better off signing the  
2 operating agreement and going nonconsent, but they said no,  
3 we want to be force pooled. Okay.

4 Q. Competing funds, maybe, with other business units  
5 within their company.

6 A. Or something.

7 Q. You have no idea why Yates didn't want to sign  
8 up?

9 A. Yates Energy?

10 Q. Yes, or Harvey E. Yates Company?

11 A. No, I made a phone call to them Tuesday, and it  
12 went unanswered. I haven't been -- I know Fred Yates was  
13 out of town, and that was part of the problem earlier this  
14 week, that they just haven't made a decision. But we'll  
15 continue to work with them to try to --

16 EXAMINER JONES: Okay. How about -- Maybe the  
17 draft order would be a good idea, just the main points, you  
18 don't have to do all the --

19 MR. BRUCE: Correct.

20 EXAMINER JONES: -- fancy word processing.

21 MR. BRUCE: I'll let Mr. Carr do that.

22 EXAMINER JONES: Yes.

23 MR. CARR: If I can get my computer to turn on.

24 MR. BRUCE: I have nothing further in this  
25 matter, Mr. Examiner.

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EXAMINER JONES: Okay, thank you very much.

THE WITNESS: Thank you.

EXAMINER JONES: Okay with that, let's take Case  
13,353 under advisement.

(Thereupon, these proceedings were concluded at  
9:53 a.m.)

\* \* \*

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_

Oil Conservation Division, Examiner

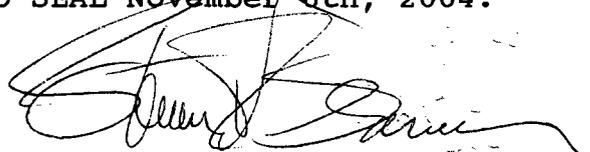
## CERTIFICATE OF REPORTER

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 November 6th, 2004.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 16th, 2006