

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:)

CASE NO. 13,360

APPLICATION OF LANCE OIL & GAS COMPANY,)
INC., TO AMEND DIVISION ORDER R-11,814)
FOR COMPULSORY POOLING, SAN JUAN COUNTY,)
NEW MEXICO)

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 48

6/8/11 CM

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.

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I N D E X

November 4th, 2004
Examiner Hearing
CASE NO. 13,360

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit 1 | 5 | 5 |
| Exhibit 2 | 5 | 5 |

* * *

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:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 9:34 a.m.:

3 EXAMINER JONES: At this time let's call Case
4 13,360, Application of Lance Oil & Gas Company,
5 Incorporated, to amend Division Order R-11,814 for
6 compulsory pooling, San Juan County, New Mexico.

7 Call for appearances.

8 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
9 the Santa Fe law firm of Kellahin and Kellahin, appearing
10 on behalf of the Applicant this morning, and we're
11 presenting this case by affidavit.

12 EXAMINER JONES: Any other appearances?

13 There being none...

14 MR. KELLAHIN: I'm ready, Mr. Examiner.

15 EXAMINER JONES: Okay.

16 MR. KELLAHIN: The affidavit is prepared and
17 submitted pursuant to Division Rules where there is no
18 opposition to amending the compulsory pooling or having a
19 compulsory pooling order.

20 There are -- The information within the affidavit
21 will spell this out very carefully. Let me see if I can
22 give you the short answer.

23 Back in '02, I presented two pooling cases for
24 Richardson Operating Company. We're dealing with the west
25 half of Section 21, and in the west half it was subdivided

1 so we had two pooling orders, one pooling order for the
 2 northwest quarter and another pooling order for the
 3 southwest quarter.

4 *R-1814* The pooling order for the ~~northwest~~^{*Southwell*}-quarter well,
 5 which was the 21-2/³, was approved for the PC and the
 6 Fruitland Coal. And so for the PC you had 160 acres in the
 7 ~~northwest~~^{*SOUTH*} quarter, and for the Coal you had the west half.

8 When the well was drilled, it was drilled only as
 9 a PC well.

10 *R-1813* In the ~~southwest~~^{*NORTH*} quarter there was a pooling
 11 order only for the PC. That was the 21 Number ~~3~~². When
 12 that well was drilled, it was drilled only as a Coal well,
 13 and so it's flip-flopped.

14 And so what we propose to do is to keep in place
 15 the pooling order that was applicable to the west-half coal
 16 and to amend the order to designate the well that actually
 17 produced out of that zone, which would be the well to the
 18 ~~south~~^{*NORTH*}, as opposed to the one to the ~~north~~^{*SOUTH*}.

19 So that's where it ended up, is, the wells were
 20 completed in such a way that they were the reverse of how
 21 they were planned and approved by you. And so that's what
 22 all this is.

23 The letters -- the interest owners between the
 24 northwest quarter and the southwest quarter are slightly
 25 different. Percentages are some of the same, people are a

1 little different, and you can see that in the affidavit.

2 The end result is that we have sent notices to
3 all of those people, a letter clearly explaining what we're
4 doing. We've received no objection, and we would like your
5 permission to have you enter an order that will make that
6 amendment.

7 And so there's no need to do anything other than
8 adopt the -- leave the provisions in the existing order
9 unchanged as to risk factor penalty and the overhead rates
10 and that kind of thing. So that's where we are.

11 Exhibit 1 represents the affidavit and all the
12 attachments associated with what I've just described.

13 And Exhibit Number 2, then, is my certificate of
14 notification that we've sent notice to all these parties.

15 And with your permission, then, we'd ask that you
16 introduce Exhibits 1 and 2.

17 EXAMINER JONES: Exhibits 1 and 2 will be
18 admitted to evidence.

19 MR. KELLAHIN: This package also includes the
20 C-102s for each of the wells, it has each of the two
21 pooling orders that were associated with those wells, and
22 then the narrative within the affidavit sets this out
23 probably in better detail than I've described to you.

24 EXAMINER JONES: What about the timing on when
25 you notified the west-half people that --

1 MR. KELLAHIN: The first letter with an
2 explanation went out from Richardson. Richardson now has
3 been acquired by Lance Oil and Gas Company, and so that's
4 why you see Lance on the docket. They're the successor
5 operator to Richardson.

6 EXAMINER JONES: In just this area or --

7 MR. KELLAHIN: For this area, other wells
8 including these, but I think for the most part David
9 Richardson sold his assets to Lance.

10 There is a letter in here -- if I recall
11 correctly, I think it was an August 4th letter of this year
12 -- explaining to -- I thought it was down here as an
13 Exhibit F --

14 EXAMINER JONES: Oh, I'll find it.

15 MR. KELLAHIN: It's in here --

16 EXAMINER JONES: I'll find it.

17 MR. KELLAHIN: -- it's Exhibit F, it's the second
18 page from the end.

19 EXAMINER JONES: Okay.

20 MR. KELLAHIN: That's the August 4th letter that
21 was sent out by Anne Jones on behalf of Richardson,
22 explaining to the interest owners what had occurred,
23 describing for them what was happening, gave them the AFE
24 for the work and asked for them to make a choice. I think
25 there was a response from only two people, and they

1 executed AFEs and said go ahead, and the others we didn't
2 hear from. And then all interest owners were notified of
3 this case, by letter dated October 13th that I sent out.

4 EXAMINER JONES: But originally there were
5 dissenting owners; that's why it became compulsory pooled,
6 right?

7 MR. KELLAHIN: Well, there were orders -- there
8 were people originally, back in '02, that we knew who they
9 were and had contacted them and just couldn't get them to
10 answer.

11 EXAMINER JONES: Okay, that's -- With that, let's
12 take Case 13,360 under advisement.

13 MR. KELLAHIN: Thank you.

14 EXAMINER JONES: Thank you.

15 (Thereupon, these proceedings were concluded at
16 9:41 a.m.)

17 * * *

18
19 I do hereby certify that the foregoing is
20 a complete record of the proceedings in
21 the Examiner hearing of Case No. _____
22 heard by me on _____, Examiner

23 _____, Examiner
24 Oil Conservation Division
25


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