

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 CHI OPERATING, INC. CASE NO. 15521
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 1, 2016

Santa Fe, New Mexico

BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Richard Ezeanyim,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, September 1, 2016, at the New Mexico Energy,
Minerals and Natural Resources Department, Wendell Chino
Building, 1220 South St. Francis Drive, Porter Hall,
Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

1 APPEARANCES

2 FOR APPLICANT CHI OPERATING, INC.:

3 JAMES G. BRUCE, ESQ.
 4 Post Office Box 1056
 5 Santa Fe, New Mexico 87504
 (505) 982-2043
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16 EXHIBITS OFFERED AND ADMITTED

17	Chi Operating, Inc. Exhibit Numbers 1 through 4	5
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1 (8:39 a.m.)

2 EXAMINER EZEANYIM: At this time let's go
3 to page 2 and call Case Number 15521. This case is, I
4 understand, from August 18th, and this is the
5 application of Chi Operating, Inc. for compulsory
6 pooling, Eddy County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of
9 Santa Fe representing the Applicant. I'm submitting
10 this case by affidavit.

11 EXAMINER EZEANYIM: Any other appearances?
12 You may proceed.

13 MR. BRUCE: Mr. Examiner, I've handed you a
14 few exhibits. One is the affidavit or verified
15 statement of John Qualls who is -- who has been
16 previously qualified before the Division as a landman.

17 What Chi seeks in this case is they plan to
18 reenter the existing Shugart West 13 Fed Com Well #1,
19 which was originally completed in the Bone Spring
20 Formation and completed uphole, and they seek to force
21 pool all depths from the surface to 5,000 feet
22 subsurface. The API number for the well -- it's in Eddy
23 County. The last five digits are 33577.

24 As you can see, they seek to force pool
25 three entities, EOG Resources, the Elliott Family

1 Limited Partnership and Florence Dooley. Combined,
2 there is maybe about 6 percent of the working interest
3 in the well not voluntarily joined in the well. This is
4 a federal lease, so it's all federal leaseholders in
5 this well.

6 Chi has proposed the well, received no
7 response. Florence Dooley has an unknown address. They
8 do seek to force pool these people and have a 200
9 percent risk charge percent assessed. If they go
10 nonconsent, they request overhead rates of 5,000 for a
11 drilling well and 500 a month for a producing well. The
12 AFE for the reentry --

13 EXAMINER EZEANYIM: What is the overhead,
14 again?

15 MR. BRUCE: 5,000 per month drilling or
16 reentering and 500 a month for a producing well.

17 The final page of the affidavit is the AFE
18 for the well. As you can see, it's a pretty simple
19 reentry, and the AFE is about \$158,000.

20 Submitted as Exhibit 2 is my Affidavit of
21 Notice. I mailed notice to EOG Resources, and they
22 received that notice. I mailed notice to the Elliott
23 Family Limited Partnership, who I previously noticed
24 before the Division. That came back, so I located a new
25 address in Midland, Texas for the Elliott Family

1 Partnership. I mailed that. The postal service records
2 show it was delivered, but I don't have a green card.

3 And I had originally published notice as
4 against Florence Dooley, and the Affidavit of
5 Publication is Exhibit 3. Subsequently, I also
6 published notices against the Elliott Family Limited
7 Partnership, and that is Exhibit 4. So I believe
8 everyone has been properly notified of this application.

9 As I said, the well is in -- they want to
10 force pool from the surface to 5,000 feet subsurface.
11 The well is in the southwest-southeast of Section 13 of
12 18 South, 30 East. And the oil spacing in that area is
13 all 40 acres, so it's a standard unit at an orthodox
14 well location.

15 EXAMINER EZEANYIM: Okay.

16 MR. BRUCE: With that, I'd move the
17 admission of Exhibits 1 through 4 and that the case be
18 taken under advisement.

19 EXAMINER EZEANYIM: Exhibits 1 through 4
20 are admitted.

21 (Chi Operating, Inc. Exhibit Numbers 1
22 through 4 are offered and admitted into
23 evidence.)

24 MR. BRUCE: I have nothing further.

25 EXAMINER EZEANYIM: Okay. Thank you.

1 EXAMINER BROOKS: Nothing.

2 We need to get Mr. Bruce back to his office
3 so he can work on 15363.

4 (Laughter.)

5 EXAMINER EZEANYIM: Okay. These three
6 interests that you're going to pool -- Florence M.
7 Dooley, you don't have an address? Really, you guys
8 were -- how did you get the name but no address? How do
9 you know -- is she going 4.6? I mean, I don't know how
10 that works.

11 MR. BRUCE: Okay. Well, she was assigned
12 an interest at some point in the past in this federal
13 lease, and that assignment shows up in the federal
14 records and also in the county records -- the BLM's
15 lease file and also in the county record, but it was --
16 I forget how old this lease is. I didn't -- this lease
17 is one of the old ones. It's probably 70 or 80 years
18 old.

19 EXAMINER EZEANYIM: 70?

20 MR. BRUCE: 70 or 80 years old. It's an LC
21 lease.

22 EXAMINER EZEANYIM: Oh, man.

23 MR. BRUCE: And so a lot people just
24 disappear, you know. They might have moved out of
25 state, died, no probate. And so -- there was an address

1 at one point, but I think they actually mailed a
2 proposal to the last known address, and it -- once an
3 address is 30, 40 years old, it's usually not very good.

4 EXAMINER BROOKS: If the address is from
5 1950, you're probably not going to find them at that
6 address.

7 EXAMINER EZEANYIM: Okay. Why I was asking
8 that is because when you get somebody's name, I don't
9 know what address is associated with that name with when
10 you find that, but when the person moves and you try to
11 contact the person, you can't, you know. Well, I mean,
12 I'm not a land person so I have no idea.

13 EXAMINER BROOKS: That's how it usually
14 arises. It's usually an address somewhere -- old --
15 very old assignments don't always have addresses. And
16 recent ones usually do, but even the old ones, if they
17 have an address, it's possibly not valid anymore.

18 MR. BRUCE: Yeah. And there was an address
19 in Eddy County at one point, but --

20 EXAMINER EZEANYIM: Okay. Now, this well
21 is -- is it completed in the Bone Spring right now?

22 MR. BRUCE: Right now, it is completed but
23 shut in in the Bone Spring Formation. It was completed.

24 EXAMINER EZEANYIM: Coming uphole?

25 MR. BRUCE: They were coming uphole.

1 EXAMINER EZEANYIM: They are going to
2 penetrate the Bone Spring? Where are they going now
3 when completed?

4 MR. BRUCE: They are going for the Grayburg
5 Formation.

6 EXAMINER EZEANYIM: What?

7 MR. BRUCE: Grayburg.

8 EXAMINER EZEANYIM: Grayburg. Okay. So
9 there is no pool?

10 MR. BRUCE: Yeah. Well, the well was
11 completed in the Bone Spring in, I think, 2004.

12 EXAMINER EZEANYIM: Yeah. I understand
13 that. Okay.

14 Now, on the Grayburg, do you know the pool
15 name they are going to?

16 MR. BRUCE: I will email that to you. I
17 have written it down, and I forget.

18 EXAMINER EZEANYIM: Because we need to know
19 the pool -- and they are trying to pool from the surface
20 to 5,000 feet, you know.

21 MR. BRUCE: I will get that to you.

22 EXAMINER EZEANYIM: Yeah. I need to get
23 that. And then maybe -- if you get that -- it's all
24 federal lease, right?

25 MR. BRUCE: Yes.

1 EXAMINER EZEANYIM: Are they -- Counsel,
2 please let me know about this 4.6 percent. Does it go
3 to -- since you don't know the address?

4 MR. BRUCE: Yeah. And I forget the exact
5 procedure, but it would go to --

6 EXAMINER EZEANYIM: I think you kind of
7 know that language. We had that --

8 EXAMINER BROOKS: We used to have an escrow
9 provision, and a decision was made that that conflicted
10 with some other state laws. So what we now require is
11 funds be held by the operator in a suspense account, and
12 then after a period of time -- I think it's five
13 years -- they have to turn them over to the proper --
14 Taxation and Revenue.

15 MR. BRUCE: Tax and Revenue, yeah.

16 EXAMINER EZEANYIM: And after that five
17 years, they can now go to additional revenue to claim
18 it?

19 EXAMINER BROOKS: Yes.

20 EXAMINER EZEANYIM: I looked into Taxation
21 and Revenue. They owe me five bucks. They say go
22 to unclaimed. I went in there. They owe me five bucks.
23 I don't know how that happened, but -- (laughter).

24 EXAMINER BROOKS: Well, I think almost
25 everybody would find some money if they went to all the

1 state agencies that have an old, abandoned funds.

2 MR. BRUCE: I only owe money.

3 EXAMINER EZEANYIM: Okay. At this point
4 Case Number 15521 will be taken under advisement.

5 And that concludes the docket today.

6 Thank you, Counsel.

7 (Case Number 15521 concludes, 8:49 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither
17 employed by nor related to any of the parties or
18 attorneys in this case and that I have no interest in
19 the final disposition of this case.

20

21

22 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20
25 Date of CCR Expiration: 12/31/2016
Paul Baca Professional Court Reporters

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