

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

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

Case No.: 14662

APPLICATION OF OGX RESOURCES LLC FOR APPROVAL OF A
NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: TERRY WARNELL, Technical Examiner
DAVID K. BROOKS, Legal Examiner

August 4, 2011

Santa Fe, New Mexico

This matter came on for hearing before the New
Mexico Oil Conservation Division, TERRY WARNELL, Technical
Examiner, and DAVID K. BROOKS, Legal Examiner, on August 4,
2011, at the New Mexico Energy, Minerals and Natural
Resources Department, 1220 South St. Francis, Drive, Room
102, Santa Fe, New Mexico.

REPORTED BY: Irene Delgado, NM CCR 253
Paul Baca Professional Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

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1 A P P E A R A N C E S
2 FOR THE APPLICANT:

3 JIM BRUCE
4 P.O. Box 1056
5 Santa Fe, NM 87504

6 I N D E X

7 EXHIBITS

8 (Exhibit 8 produced but not offered.)

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1 EXAMINER BROOKS: At this time we call Case Number
2 14662, Application of OGX Resources for approval of a
3 non-standard oil spacing and proration unit compulsory
4 pooling, Eddy County, New Mexico. Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
6 representing the applicant. I'm just submitting some
7 additional information by affidavit.

8 EXAMINER BROOKS: Oh, yes. This is the case that we
9 had the notice issue on.

10 MR. BRUCE: Mr. Examiner, this case was heard in
11 June, and after this -- this case involves force pooling for
12 a horizontal well unit in the Section, the South Half South
13 Half of the Short Section 32, 26 South, 29 East. If you will
14 look at what I have submitted at Exhibit 8, which is the
15 affidavit of Gary Lang, the landman for OGX, the land plat,
16 you'll see that the well unit is the South Half South Half,
17 actually Lots 1 through 4, and the South 34 acres of the
18 North Half North Half of Section 32.

19 Because of the odd shape of the section, OGX was
20 forming -- will be drilling two wells in that section, and
21 form is not a standard unit so that each well unit would
22 contain I think it's 126 acres each. After the hearing you
23 notified me that you were reopening the case because you
24 wondered if adequate notice had been given to the interest
25 owners not outside the well unit, but in Section 32 itself.

1 Submitted as Exhibit 8 is the affidavit which shows
2 that Section 32 is comprised of two separate tracts, each of
3 which has common ownership as to all depths so that when the
4 well units as formed, no one is excluded from the well units.
5 In other words, interest ownership is uniform in each of the
6 two well units, and, therefore, there should be no need to
7 notify anyone within Section 32 as to the non-standard units
8 other than the parties who are being force pooled.

9 EXAMINER BROOKS: Okay. What I understand, if I
10 understand this correctly, Section 32 has -- the North Half
11 of Section 32 is a standard -- is a standard North -- I mean
12 the North Half North Half is a standard configuration.

13 MR. BRUCE: It is.

14 EXAMINER BROOKS: But the South Half North Half is
15 by the Texas border, and it's short -- those are short
16 subdivisions.

17 MR. BRUCE: Yes, 1 through 4.

18 EXAMINER BROOKS: Yeah. And from what I understand,
19 what you plan to do is to drill two -- what OGX plans to do
20 is drill two east-west horizontals across that section.

21 MR. BRUCE: That is correct.

22 EXAMINER BROOKS: And but basically the ownership of
23 when you combine the North Half North Half on an acreage
24 basis, and then you combine the South Half South Half,
25 regarding -- what your unit is the geographical North Half

1 North Half and South Half North Half rather than the official
2 subdivision.

3 MR. BRUCE: That is correct.

4 EXAMINER BROOKS: But the ownership is the same in
5 each of the two units once they are allocated by acreage.

6 MR. BRUCE: It will be identical in each of the two
7 wells.

8 EXAMINER BROOKS: So nobody is, regardless of which
9 well is the better well, nobody is going to incur any
10 different risks or rewards?

11 MR. BRUCE: Expense or risk or reduction in
12 interest.

13 EXAMINER BROOKS: Yeah, okay. Very good. On that
14 basis, Case Number 14662 will be taken under advisement. We
15 do have -- OGX does have a, I believe, a compliance issue
16 with the Division, and that doesn't really affect compulsory
17 pooling, but it could affect the approval of the APD, so they
18 need to be notified of that --

19 MR. BRUCE: I will notify them of that.

20 EXAMINER BROOKS: -- and attend to it.

21 MR. BRUCE: I think the APD for the first well has
22 been approved.

23 EXAMINER BROOKS: Okay. Very good. Thank you.
24 Case Number 14662 will be taken under advisement, if I didn't
25 already say that.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14662
heard by me on 8-4-11

PAUL BACA PROFESSIONAL COURT REPORTERS

Oil Conservation Division

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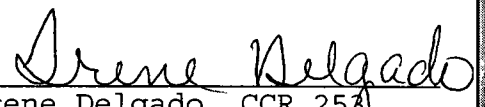
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REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico CCR 253, DO HEREBY
CERTIFY THAT ON August 4, 2011, proceedings in the
above-captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set forth
herein, and the foregoing pages are a true and correct
transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor
related to nor contracted with any of the parties or
attorneys in this case and that I have no interest whatsoever
in the final disposition of this case in any court.

WITNESS MY HAND this _____ day of August 2011.


Irene Delgado, CCR 253
Expires: 12-31-2011