

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. 13,381

APPLICATION OF CHI ENERGY, INC., FOR)
COMPULSORY POOLING, EDDY COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

April 7th, 2005

Santa Fe, New Mexico

2005 APR 21 AM 10 11

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, April 7th, 2005, 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

April 7th, 2005
Examiner Hearing
CASE NO. 13,381

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	3	5
Exhibit 2	4	5
Exhibit 3	5	5

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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

* * *

1 WHEREUPON, the following proceedings were had at
2 10:28 a.m.:

3 EXAMINER JONES: Let's call Case 13,381,
4 Application of Chi Energy, Incorporated, for compulsory
5 pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
8 representing the Applicant. I just have a brief statement
9 and a couple of thick exhibits.

10 EXAMINER JONES: No other appearances in this
11 case.

12 MR. BRUCE: Mr. Examiner, this case is submitted
13 under affidavit pursuant to Division Rules. It's a force
14 pooling case.

15 Submitted as Exhibit 1 is a statement by John
16 Qualls who's a landman for and vice president of Chi
17 Energy, Inc. This case concerns the force pooling of the
18 south half of Section 17, Township 22 South, Range 27 East.
19 There are -- This area is near Carlsbad, it's really cut
20 up, a number of people owning half an acre, an acre here
21 and there. Chi Energy has leases on a bunch of interests,
22 and then there is probably -- I forget the exact number,
23 but 35 or 40 unleased mineral interests, small mineral
24 owners.

25 Attached to Exhibit 1 is a land plat as Exhibit

1 A.

2 Exhibit B is a listing of the interest owners.

3 Exhibit -- Mr. Examiner, if you'd turn to Exhibit
4 C of Exhibit 1, it's actually listed Exhibit -- the second
5 Exhibit B. That should be Exhibit C.

6 EXAMINER JONES: Okay.

7 MR. BRUCE: Just the correspondence. If you
8 could just hand-write in that that is Exhibit C.

9 EXAMINER JONES: Okay.

10 MR. BRUCE: Exhibit C is copies of the
11 correspondence with these mineral interest owners. There
12 has been correspondence going out since last fall, and
13 virtually none of these people have responded to anything.

14 EXAMINER JONES: Okay.

15 MR. BRUCE: Exhibit D is a copy of the AFE for
16 the well.

17 Two other things to note is that Chi Energy
18 requests that Chi Operating, Inc., be named operator of the
19 well, and they request overhead rates of \$6500 and \$600 per
20 month.

21 Submitted as Exhibit 2 is an affidavit regarding
22 notice given to the various interest owners. Many of them
23 were reached, many of these people are unlocatable, and the
24 Exhibit 1 does contain a statement regarding the measures
25 that were gone through to locate these people.

1 Since there were a number of unlocatable people,
2 an affidavit -- or a publication notice was made in the
3 Carlsbad newspaper, and that's submitted as Exhibit 3.

4 We would move the admission of Exhibits 1 through
5 3 and ask that this matter be taken under advisement.

6 EXAMINER JONES: We'll admit into evidence
7 Exhibits 1, 2, 3 and take Case 13,381 under advisement.

8 Thank you.

9 (Thereupon, these proceedings were concluded at
10 10:30 a.m.)

11 * * *

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15 I do hereby certify that the foregoing is
16 a complete record of the proceedings in
17 the Examiner hearing of Case No. _____
heard by me on _____

18 _____, Examiner
19 Oil Conservation Division
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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 12th, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006