

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. 13,491

APPLICATION OF SAMSON RESOURCES COMPANY)
FOR COMPULSORY POOLING, LEA COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

May 19th, 2005

Santa Fe, New Mexico

2005 JUN 2 PM 2 52

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, May 19th, 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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May 19th, 2005
 Examiner Hearing
 CASE NO. 13,491

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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Santa Fe, New Mexico 87505
By: J.E. GALLEGOS

* * *

1 WHEREUPON, the following proceedings were had at
2 9:15 a.m.:

3 EXAMINER JONES: And the next case is -- Let's
4 call Case 13,491, Application of Samson Resources Company
5 for compulsory pooling, Lea County, New Mexico.

6 Call for appearances.

7 MR. GALLEGOS: Mr. Examiner, in behalf of Samson
8 Resources I'm Gene Gallegos, Gallegos Law Firm, Santa Fe,
9 the second string today, batting for Jim Bruce who had to
10 be out of town unexpectedly.

11 EXAMINER JONES: Any other appearances?

12 There being none, will the witness please stand
13 to be sworn?

14 (Thereupon, the witness was sworn.)

15 ELIZABETH E. MOSES,

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

18 DIRECT EXAMINATION

19 BY MR. GALLEGOS:

20 Q. Would you state your name, please?

21 A. Elizabeth Moses.

22 Q. Where do you live, Ms. Moses?

23 A. In Midland, Texas.

24 Q. What association do you have with Samson
25 Resources?

1 A. I'm a consulting landman for Samson Resources.

2 Q. And are you authorized to testify on behalf of
3 Samson Resources in this proceeding?

4 A. Yes.

5 Q. Would you please review for the Examiner your
6 experience in the oil and gas industry?

7 A. I've been a landman since 1979, and I have
8 testified before the Commission before.

9 Q. Okay. And who have you worked for besides Samson
10 Resources?

11 A. Oh, gosh. Can I -- suffice it to say I've worked
12 for about 15 different companies --

13 Q. All right.

14 A. -- in the last 15 years.

15 MR. GALLEGOS: We submit Ms. Moses as an expert
16 landman.

17 EXAMINER JONES: Ms. Moses is qualified as an
18 expert landman.

19 Q. (By Mr. Gallegos) We have provided eight
20 exhibits for the Division. With the exclusion of Exhibit
21 Number 2, which is a copy of Order R-12,104, and the
22 Exhibit 8 which is the affidavit of Mr. Bruce, were all of
23 the exhibits prepared by you?

24 A. Yes, they were.

25 Q. Okay. What does Samson Resources seek by this

1 Application?

2 A. They seek to pool all the mineral owners
3 underlying the north half of Section 15, 20 South, 33 East,
4 from 4000 feet to the base of the Morrow, the drilling of a
5 well.

6 Q. And in addition do they seek other spacings
7 within that north half?

8 A. Yes.

9 Q. And what is that?

10 A. In the Application for the different formations,
11 there's 160-acre spacing for whatever pools lie in there,
12 and 40-acre for the acres, the pools that lie within there.

13 Q. Okay. What is Exhibit Number 1?

14 A. Exhibit 1 is a plat showing the location of the
15 lands being pooled.

16 Q. And does the plat focus on the north half of
17 Section 15 in Township 20 South, Range 33 East?

18 A. Yes, it does.

19 Q. Okay, and is that the land area that's the
20 subject of this Application?

21 A. Yes, it is.

22 Q. Let me draw your attention to Exhibit Number 2,
23 which is an order of the Division in Case Number 13,207,
24 and the order is designated R-12,104.

25 A. Yes.

1 Q. What did that order provide?

2 A. It provided for compulsory pooling for these same
3 lands, the north half of Section 15, 20-33, and for an
4 unorthodox gas well location.

5 Q. Okay, did this order basically grant the
6 Application that's involved here but set a deadline for the
7 drilling of the proposed well?

8 A. Yes, it did.

9 Q. Why was the well not drilled?

10 A. Rig availability precluded it from being drilled.

11 Q. Now, Ms. Moses, is the location that's involved
12 here in what's designated as the prairie chicken area of
13 Lea County?

14 A. Yes, it is subject to prairie chicken provisions
15 in the federal lease.

16 Q. And what -- explain to the Examiner what the
17 significance of that is in terms of timing.

18 A. No operations can be commenced for a period of
19 time up to June 15th, 2005, so the well could not be spud
20 till after June 15th.

21 Q. And what time does that constraint -- what time
22 in the calendar does that constraint start?

23 A. March 15th to June 15th.

24 Q. All right, so that window of March 15th through
25 June 15th precludes all operations in this area?

1 A. Yes, it does.

2 Q. And this time, if the Division grants an order
3 allowing the compulsory pooling, will Samson be able to go
4 ahead and have a rig available to drill this well at the --
5 when the June 15th deadline expires?

6 A. Yeah, they're trying to hit it right on June
7 15th, start --

8 Q. What arrangements have been made for that?

9 A. Samson has a drilling rig. It's on loan to
10 somebody, but the well is drilling and should be finished
11 just right around June 15th, they plan to move that rig to
12 this location.

13 Q. So does Samson ask for expedited consideration of
14 this Application in view of those circumstances?

15 A. Yes, please.

16 Q. Now, describe in your own words -- and we'll go
17 into some of the exhibits, but describe in your own words
18 what the situation is concerning those parties who have an
19 interest in this north half of the section, other than
20 Samson Resources, who have agreed to participate, and what
21 efforts have been made in regard to those who have not
22 agreed.

23 A. Well, this -- you know, this isn't the first time
24 this well has been proposed, and it was reproposeed this
25 time on April 15th, 2005. An AFE and a letter -- letters,

1 were sent out to all the working interest owners via
2 certified mail, along with an AFE. And then there was a
3 follow-up letter on May 5th, 2005, with a correction AFE,
4 and numerous phone calls have been made to the parties that
5 weren't responsive to these letters.

6 Q. Okay. And does Exhibit 3 contain a copy of both
7 of those letters that you mentioned, the April 15 letter,
8 and the -- What was the date of the other one? March --

9 A. May 5th.

10 Q. -- May 5th letter?

11 A. Yes, it does.

12 Q. And does it also show the mailing receipts or
13 proof of mailing of those letters?

14 A. Yes, it does.

15 Q. Why was there a second letter?

16 A. The AFE that was sent to the working interest
17 owners with the May 15th letter contained some omissions,
18 so a new AFE needed to be circulated to those parties, as
19 soon as we discovered that error.

20 Q. All right. And aside from the letters, does
21 Exhibit 4 provide information to the Division concerning
22 additional efforts that have been made by you to
23 communicate with working interest owners?

24 A. Yes, it details my various phone conversations
25 and some e-mails that were made up to yesterday morning,

1 I've continued to make -- have several phone conversations
2 since preparation of Exhibit 4.

3 Q. All right. And what is Exhibit 5?

4 A. It is the AFE for this well, the Bandit 15
5 Federal Number 1.

6 Q. And was this AFE provided to all working interest
7 owners in your communications?

8 A. Yes, it was.

9 Q. With the help of Exhibit 6, can you then advise
10 the Examiner what the status is, as far as parties who have
11 agreed to participate, as opposed to parties who would be
12 subject to a force pooling order?

13 A. Yes, all the parties on here -- there are some
14 parties that were dismissed and have signed our joint
15 operating agreement and either agreed to go nonconsent
16 under the JOA or have agreed to participate in the well.
17 Those that have -- who we've made deals with, William
18 Saunders; WallFam, Ltd.; Roger Elliott; Desert Rainbow,
19 L.L.C.; and Kelly Baxter.

20 Q. Okay, all of those have agreed to join in the
21 JOA?

22 A. Yes.

23 Q. Some of them participating, some of them going
24 nonconsent?

25 A. That's correct.

1 Q. Okay, so -- and have you made -- and do the
2 exhibits demonstrate a good faith effort to seek voluntary
3 joinder of all the others who have not?

4 A. Yes, it does. And some of these people have made
5 deals or agreed to join, but I don't have it from them in
6 writing yet, so I anticipate they'll be dismissed also.

7 Q. What is Exhibit Number 7?

8 A. It's the joint operating agreement covering the
9 north half of Section 15, 20-33, for this well.

10 Q. Okay, what does this joint operating agreement
11 provide as to costs of operation, overhead rates and
12 penalty, nonconsent penalty?

13 A. The overhead rates are \$6500 for a drilling well
14 and \$650 a month for a producing well. The nonconsent
15 provision provided for cost plus 200 percent, or 300
16 percent.

17 Q. Are those consistent with what was presented to
18 the Division before and allowed by the order in the prior
19 case?

20 A. Yes, they are.

21 Q. And are those charges that are reasonable and
22 normally charged by Samson to other operators in the area
23 for wells of this depth?

24 A. Yes, they are.

25 Q. And would you request that the maximum risk

1 penalty of 200 percent that's set forth in this operating
2 agreement be ordered by the Commission -- by the Division
3 if it grants the force-pooling?

4 A. Yes.

5 Q. Is Exhibit Number 8 the affidavit of notice of
6 this proceeding that has been executed by James Bruce?

7 A. Yes.

8 Q. In your opinion, is the granting of Samson's
9 Application in the interests of conservation and the
10 prevention of waste?

11 A. Yes.

12 MR. GALLEGOS: We move the admission of Exhibits
13 1 through 8. And Mr. Examiner, I do have the original of
14 Mr. Bruce's affidavit, which I would submit.

15 And pass the witness for examination.

16 EXAMINER JONES: Okay, Exhibits 1 through 8 will
17 be admitted to evidence.

18 EXAMINATION

19 BY EXAMINER JONES:

20 Q. Ms. Moses, so you say 300 percent in your -- for
21 some penalty, for some nonconsent penalty?

22 A. Yeah, 300 percent.

23 Q. Are you asking for 200 percent or 300 percent?

24 A. Well, it's worded different in the Commission
25 Order. The Commission Order says actual cost plus a 200-

1 percent penalty, and the --

2 Q. Oh, I see.

3 A. -- operating agreement just says --

4 Q. I see.

5 A. -- 300 percent.

6 Q. Okay.

7 A. That confuses a lot of --

8 Q. How does your AFE compare now with a year and a
9 half ago, or a year ago?

10 A. I think the costs have risen somewhat, not
11 drastically. I think it's probably close to half a million
12 dollars more. I haven't really compared them.

13 Q. So let me make sure I've got the date right here.
14 You want to start spudding the well when?

15 A. June 15th.

16 Q. June 15th.

17 A. As soon as the chickens are finished.

18 MR. GALLEGOS: What are the chickens doing now?

19 THE WITNESS: Booming.

20 (Laughter)

21 Q. (By Examiner Jones) Let's see here. Oh, I
22 notice you're drilling through the Capitan formation here.
23 I looked on the drilling casing program and it looks just
24 fine, it looks like you're setting pipe above and through
25 it and then you're drilling out, so you're going to some

1 more effort there.

2 A. Yes.

3 Q. That could explain the \$3 million a little bit,
4 besides it's a big frac job.

5 The 160, I didn't see a pool related to that.
6 You just think maybe you might get some Abo or something in
7 this well?

8 A. Yeah --

9 Q. But you're going to have -- you're asking for it
10 anyway?

11 A. Yeah, just to make sure we don't have to come
12 back.

13 Q. The most likely is going to be the Teas-Penn,
14 right? Teas-Penn Pool?

15 A. Yes.

16 Q. Gas Pool.

17 And how about that Teas-Yates Unit? I notice
18 that on this same exact spot there was a Teas-Yates unit
19 approved back in the 1960s. Is that still active out
20 there?

21 A. There is a Teas unit producing out there above
22 4000 feet. We're only asking to pool below 4000 feet.

23 Q. Okay. And you're asking for \$6500 this time,
24 instead of \$6000, for your drilling?

25 A. We asked for \$6500 last time. I think that was a

1 typographical error --

2 Q. Okay.

3 A. -- maybe. It's been \$650/\$6500 for a couple of
4 years at Samson.

5 Q. You want Samson Resources Company to be named as
6 the operator?

7 A. Yes.

8 Q. And that's the name of the company in the
9 Application too, so --

10 A. Yes.

11 Q. Okay. Okay, I notice that you canceled -- You
12 actually had an API number assigned and everything, and
13 then the well was canceled. So it -- Actually two wells
14 were canceled, and then they were re-applied with the
15 Division, so you have duplicate wells at the same spot with
16 different API numbers for -- in the south half of that
17 section and in the north half of that section. So this
18 exact same well had an API number before, it's got a new
19 API number now, I guess.

20 A. Correct.

21 Q. Okay. And who owns the minerals here? Federal?

22 A. Yes, it's all federal --

23 Q. Federal.

24 A. -- it's one federal lease.

25 EXAMINER JONES: That's all I have, do you have

1 anything?

2 EXAMINATION

3 BY MS. MacQUESTEN:

4 Q. I just had a couple of notice questions. In
5 looking at Jim Bruce's affidavit and the attachments, it
6 appears that there was at least one party who you weren't
7 able to notify for the hearing?

8 A. Was that the Eads, E-a-d-s? Which one was that?

9 Q. I was looking at the envelope that was returned,
10 addressed to Roger T. Elliott.

11 A. He signed the operating agreement.

12 Q. Oh, he did, okay.

13 A. Yeah, we had an incorrect address on that.

14 Q. So you were able to contact all of the necessary
15 parties --

16 A. There's one that owns like .3 acres underneath
17 this 320 acres who is unlocatable. His sisters don't even
18 know where he is, so -- This has been going on for two
19 years. They say every three or four or five years he'll
20 call one of them. I says, Well if he calls, you know, tell
21 him I need to talk to him. But he hasn't called any of his
22 relatives in about two years, so he's kind of a -- he lives
23 in the woods somewhere.

24 Q. Is he one of the parties it was necessary to
25 notify for the hearing?

1 A. Yes.

2 Q. Was any publication done of notice?

3 A. In the Santa Fe paper, yeah, there was a
4 publication done.

5 MR. GALLEGOS: Was that published?

6 EXAMINER JONES: So he may be able to live in the
7 woods forever if he comes and claims his money.

8 THE WITNESS: I mean, his interest would amount
9 to -- I mean, there's a lot of zeroes before you get to
10 what his decimal interest would be in the well. But we
11 have tried to contact him. I have talked to his sisters.
12 His sisters are subject to this pooling, but they don't
13 know where --

14 MR. GALLEGOS: Who are we talking about? What is
15 the name?

16 THE WITNESS: Fred Newcomb.

17 Q. (By Ms. MacQuesten) And there wasn't publication
18 in the county where the property is located?

19 A. Is that part of -- a subject of Jim's affidavit?

20 MR. GALLEGOS: I can't answer that.

21 THE WITNESS: I've got it in my briefcase where
22 he -- Jim did -- he did publicize that.

23 MR. GALLEGOS: Could you get that, because I
24 don't have that. All I have is a notice by mailing.

25 THE WITNESS: Okay.

1 MS. MacQUESTEN: If you could check on that and
2 see if, first of all, this was someone who needed to be
3 notified for the hearing, and if so, whether publication in
4 the county was made?

5 MR. GALLEGOS: Okay.

6 Q. (By Ms. MacQuesten) Just in looking at the list
7 of interest owners that Mr. Bruce was attempting to notify,
8 I don't see this person's name listed.

9 A. We had no address for him at all. We had no
10 address, no known address, no state. We're not even sure
11 he's in the country.

12 Q. But he is an interest owner?

13 A. Yes.

14 MR. GALLEGOS: He appears on Exhibit 6, and it
15 shows what his interest is. Did you locate something?

16 THE WITNESS: Yeah, as part of the Application
17 for the compulsory pooling Jim Bruce includes his proposed
18 advertisement.

19 EXAMINER JONES: You mean affidavit of
20 advertisement?

21 MR. GALLEGOS: So it would be in the file, it
22 would be in the Division file? That's the proposed
23 advertisement. Okay, so what we need to supply for the
24 record is a proof of publication of this advertisement.

25 MS. MacQUESTEN: That would solve any notice

1 problems as to anyone who couldn't be located.

2 MR. GALLEGOS: Okay, I will pass that buck on to
3 Mr. Bruce when he returns here.

4 EXAMINER JONES: Okay. And Ms. Moses, can you
5 make sure this happens so that I can get started on this?
6 Because as soon as we hear from you, we will.

7 THE WITNESS: I will.

8 EXAMINER JONES: But if he hasn't made the notice
9 he will have to do it, and we'll have to wait -- what --

10 MS. MacQUESTEN: Ten days, I think.

11 EXAMINER JONES: We'll have to wait a certain
12 number of days.

13 THE WITNESS: Okay.

14 EXAMINER JONES: And normally when that happens
15 they appear at the next hearing and show that, but next
16 hearing date -- thinking out loud here -- it's the 2nd.

17 MS. MacQUESTEN: That would still give us time to
18 get it out.

19 EXAMINER JONES: Yeah, still give us time. If
20 you could -- Tell you what let's do, let's continue this to
21 June the 2nd --

22 THE WITNESS: Okay.

23 EXAMINER JONES: -- and at that time have Mr.
24 Bruce provide that evidence of notice in the newspaper.
25 And if you find it before then, that it's already done,

1 well then we can --

2 MS. MacQUESTEN: If he received proper notice for
3 this hearing, we can act immediately to write the order.
4 If there is a problem with notice, then we'll have to have
5 notice given. That process needs to be completed before we
6 can do the order.

7 THE WITNESS: Okay. So if I understand
8 correctly, if I can provide proof of the notice --

9 EXAMINER JONES: Newspaper notice.

10 THE WITNESS: -- right away, then will it still
11 be continued, or you'll take that under advisement and go
12 ahead with the order?

13 MS. MacQUESTEN: If we have the proper notice for
14 this hearing, we can go ahead and do the order without
15 having to continue the case.

16 THE WITNESS: Okay.

17 MS. MacQUESTEN: So if that's provided, we can do
18 the order and dismiss the continued case.

19 MR. GALLEGOS: Okay, that's understood. And if I
20 find out from Mr. Bruce that the publication hasn't taken
21 place, then I'll have him get right on it, and then it
22 would be brought up at the June 2nd hearing and we'll be
23 able to close the record.

24 MS. MacQUESTEN: Right.

25 EXAMINER JONES: Yeah.

1 MR. GALLEGOS: Okay.

2 THE WITNESS: Okay.

3 EXAMINER JONES: Okay.

4 MR. GALLEGOS: And here's the original of his
5 affidavit.

6 EXAMINER JONES: Okay, I'll put that --

7 MR. GALLEGOS: Thank you.

8 THE WITNESS: Thank you.

9 EXAMINER JONES: Thank you, Mr. Gallegos. And
10 thank you, Ms. Moses.

11 With that, we'll take Case 13,491 under
12 advisement.

13 (Thereupon, these proceedings were concluded at
14 9:39 a.m.)

15 * * *

16

17

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

20

21

_____, Examiner
Oil Conservation Division

22

23

24

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 May 20th, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006