

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 MARBOB ENERGY CORPORATION )  
FOR COMPULSORY POOLING, EDDY COUNTY, )  
NEW MEXICO )

2005 JUL 11 PM 1 08  
CASE NO. 13,509

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

June 30th, 2005

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday June 30th, 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.

\* \* \*

WVJ 7/1/05

## I N D E X

June 30th, 2005  
 Examiner Hearing  
 CASE NO. 13,509

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## E X H I B I T S

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## A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
 110 N. Guadalupe, Suite 1  
 P.O. Box 2208  
 Santa Fe, New Mexico 87504-2208  
 By: OCEAN MUNDS-DRY

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 8:23 a.m.:

3           EXAMINER JONES: With that, let's call Case  
4 13,509, Application of Marbob Energy Corporation for  
5 compulsory pooling, Eddy County, New Mexico.

6           Call for appearances.

7           MS. MUNDS-DRY: Good morning, Mr. Hearing  
8 Examiner, my name is Ocean Munds-Dry. I'm here on behalf  
9 of Marbob Energy Corporation this morning.

10          EXAMINER JONES: Any other appearances?

11          No witnesses?

12          MS. MUNDS-DRY: No witnesses.

13          EXAMINER JONES: Okay.

14          MS. MUNDS-DRY: Mr. Hearing Examiner, Marbob  
15 Energy Corporation requests an order pooling the record  
16 title owner in Section 30, Township 18 South, Range 28 East  
17 in Eddy County, New Mexico.

18          You'll note there's one place in the affidavit  
19 that states that it's Lea County, but it actually is Eddy  
20 County and it was advertised properly that way.

21          Marbob requests a pooling order under the  
22 alternative procedure, Rule 1207.A.(1).(b), which is  
23 available where we're unable to locate all the owners of  
24 interests to be pooled and the application is unopposed by  
25 all those who have been located.

1           Mr. Hearing Examiner, this is somewhat of a  
2 unique situation from a typical compulsory pooling  
3 application. We've had this somewhat similar situation  
4 before.

5           Marbob went to the State Land Office to seek  
6 approval of their communitization agreement, and the one  
7 record title owner, Ms. Margaret Nichols, had agreed to  
8 join the unit but has, for some reason that we're not clear  
9 about, not signed the com agreement. And Marbob has made  
10 several attempts to get her to sign the agreement, but for  
11 some reason their letters have just been sent back. So the  
12 State Land Office, of course, would not approve the  
13 agreement unless we had her signature or received a pooling  
14 order from the OCD. So we sit before you today to ask for  
15 that order.

16           If we turn to Exhibit 1, you see it's the  
17 affidavit of Raye Miller, and he does outline the efforts  
18 to obtain Ms. Margaret Nichols' signature. On the second  
19 page they outline that.

20           Also if you look at Attachment A, it shows you a  
21 plat of the subject lands, showing the proposed spacing  
22 unit and well location, which is colored in in red on the  
23 map.

24           Marbob proposes to dedicate its Nichols 30 State  
25 Com Well Number 1 to the proposed spacing unit, which is

1 located at 1370 from the north line and 1500 from the east  
2 line, at a depth sufficient to produce from the Morrow  
3 formation.

4 If you turn to Attachment B, Mr. Hearing  
5 Examiner, it lists the percentage of working interest  
6 owners in the proposed spacing unit. And all -- as I  
7 mentioned before, all of these entities have agreed, so we  
8 are not asking for an order, just to be clear, to pool any  
9 of these interests, because they have already voluntarily  
10 agreed to commit.

11 EXAMINER JONES: Okay.

12 MS. MUNDS-DRY: If you turn to Attachment C, it's  
13 a copy of the AFE, which has been submitted to all interest  
14 owners, including Ms. Nichols.

15 If you turn to Attachment D, it shows you we've  
16 sent proper notice -- a letter go Ms. Nichols, giving her  
17 notice of this proceeding today.

18 And I believe that's it. Marbob seeks this order  
19 pooling Ms. Nichols' interest alone. Her interest extends  
20 from a depth 500 feet below the top of the San Andres  
21 formation to the base of the Morrow formation.

22 Marbob proposes overhead charges of \$505 per  
23 month while producing, and Marbob also requests an order  
24 that it be designated the operator of the well and the  
25 spacing unit.

1           As Mr. Miller testifies in his affidavit,  
2 approval of this Application will avoid drilling of  
3 unnecessary wells, will prevent waste, will protect  
4 correlative rights, and allow Marbob and the other interest  
5 owners in the north half of Section 30 an opportunity to  
6 obtain their just and fair share underlying the subject  
7 lands.

8           EXAMINER JONES: Okay. The COPAS again, what was  
9 that? How much was --

10           MS. MUNDS-DRY: Oh, \$505 per month is what Marbob  
11 is requesting.

12           EXAMINER JONES: Okay. And it says that she is  
13 an owner of a working interest, but she's just a record  
14 title holder; is that right?

15           MS. MUNDS-DRY: She's actually a record title  
16 holder. She -- My understanding is that she does also have  
17 a working interest, which is why they asked her to commit  
18 to the unit originally, which she did. She has signed the  
19 JOA, she's signed several other agreements but --

20           EXAMINER JONES: Oh.

21           MS. MUNDS-DRY: -- she's -- our understanding  
22 also, Mr. Hearing Examiner, just to give you a little  
23 background, we believe she's elderly and so we're not sure  
24 of her condition. She was signing agreements, and now  
25 they're all being sent back, so we're just --

1 EXAMINER JONES: Oh.

2 MS. MUNDS-DRY: -- not clear as to --

3 EXAMINER JONES: Okay.

4 MS. MUNDS-DRY: -- what her condition is.

5 EXAMINER JONES: Okay. Do they have to sign a  
6 different document for record title ownership than they do  
7 for working interest?

8 MS. MUNDS-DRY: I don't believe so, Mr. Hearing  
9 Examiner. The only -- because she is the record title  
10 owner, the State Land Office obviously wants her to be  
11 committed to the communitization agreement.

12 EXAMINER JONES: Okay. But we're going to go  
13 ahead and treat her as a working interest owner?

14 MS. MUNDS-DRY: That's my understanding, yes.

15 EXAMINER JONES: And go ahead and do the whole-  
16 blown compulsory pooling?

17 MS. MUNDS-DRY: Because she would be entitled to  
18 -- and she not only has a duty to share in the costs but  
19 she would share in the production --

20 EXAMINER JONES: Okay.

21 MS. MUNDS-DRY: -- so she would be a working  
22 interest owner.

23 EXAMINER JONES: Okay. And just one pool  
24 involved here, it looks like, the North Illinois Camp-  
25 Morrow Gas Pool?

1 MS. MUNDS-DRY: That's correct.

2 EXAMINER JONES: And -- Okay. One of the early  
3 documents said 500 feet below the top of the San Andres to  
4 the bottom of the Morrow, I think, and then another one  
5 said --

6 MS. MUNDS-DRY: Uh-huh.

7 EXAMINER JONES: -- just the Atoka and the  
8 Morrow. Is --

9 MS. MUNDS-DRY: Where do you see that, Mr.  
10 Hearing Examiner?

11 EXAMINER JONES: Well, it was one of the  
12 documents in the file. It may have been one of the -- Oh,  
13 it says that in the letter to Margaret Nichols, it says  
14 they're going to test all formations from 500 feet below  
15 the top of the San Andres to the base of the Morrow. But  
16 it covers -- it covers the Atoka and the Morrow, but you  
17 really -- Do you just want the Atoka and the Morrow to be  
18 included here?

19 MS. MUNDS-DRY: That's right, that's correct, Mr.  
20 Hearing Examiner.

21 EXAMINER JONES: Okay. Okay, I think that's all  
22 the questions I have.

23 MS. MUNDS-DRY: With that, then, Mr. Hearing  
24 Examiner, we'd ask that Exhibit 1 and its attachments be  
25 admitted into evidence.

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EXAMINER JONES: Okay, Exhibit 1 and its attachments will be admitted into evidence.

And we'll take Case 13,509 under advisement.

MS. MUNDS-DRY: Thank you, Mr. Hearing Examiner.

(Thereupon, these proceedings were concluded at 8:30 a.m.)

\* \* \*

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

\_\_\_\_\_, Examiner  
Oil Conservation Division

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 June 30th, 2005.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006