

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

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

ORIGINAL

APPLICATION OF CHI OPERATING, INC.                   CASE NO. 15133  
FOR COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 26, 2014

Santa Fe, New Mexico

BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

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This matter came on for hearing before the  
New Mexico Oil Conservation Division, Richard Ezeanyim,  
Chief Examiner, on Thursday, June 26, 2014, 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

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APPEARANCES

FOR APPLICANT CHI OPERATING, INC.:

JAMES G. BRUCE, ESQ.  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043  
jamesbruc@aol.com

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EXHIBITS OFFERED AND ADMITTED

Chi Operating, Inc. Exhibit Numbers 1 through 4	5
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1 (8:37 a.m.)

2 EXAMINER EZEANYIM: On page 2, at this time  
3 I call Case 15133, and this is the application of Chi  
4 Operating, Inc. for compulsory pooling, Eddy County,  
5 New Mexico.

6 Call for appearances.

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

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

12 MR. BRUCE: Mr. Examiner, this case is  
13 simply to force pool interest owners for purposes of  
14 obtaining a communitization agreement from the BLM. The  
15 well at issue is the Coal Train Fed Com Well No. 1,  
16 located in the south half of Section 10, 17 South, 28  
17 East. This well was drilled over 14 years ago. And at  
18 the time the operator, Chi Operating, Inc., filed a  
19 communitization agreement with the BLM, which the BLM  
20 lost, and so we're just trying to reconstitute the comm  
21 agreement. In this case there are two working interest  
22 owners being pooled simply for purposes of the comm  
23 agreement, plus some unlocatable record title owners.

24 Submitted as Exhibit 1 is the affidavit of  
25 John Qualls, a landman for Chi Operating, setting forth

1 the basic information and the parties being pooled.  
2 There are three record title owners: Bayshore  
3 Production Company, Florida Exploration Company and  
4 Union Texas Petroleum Corporation, all of which no  
5 longer exist. They are bare record title owners in one  
6 of the tracts within the well unit.

7 And they are also force pooling working  
8 interest owners Kathryn Alexander and Marie Wade, who  
9 have been contacted -- and the correspondence is  
10 attached to Exhibit 1 -- requesting them to sign the  
11 communitization agreement. They have failed to do so.  
12 Because this is only for communitization agreement  
13 purposes, we're not seeking overhead rates. We're not  
14 seeking any penalty against nonconsenting interest  
15 owners. This is simply to get a compulsory pooling  
16 order so that the BLM will approve, after 14 years, the  
17 communitization agreement.

18 All the correspondence with the parties, et  
19 cetera, well plats, are contained in Exhibit 1.

20 Exhibit 2 is my Affidavit of Notice to the  
21 two working interest owners, Kathryn Alexander and Marie  
22 Wade. They did receive notice. They just have never  
23 responded.

24 And Exhibits 3 and 4 are the Affidavits of  
25 Publication against the defunct record title owners.

1                   With that, I'd move the admission of  
2 Exhibits 1 through 4 and ask that the application be  
3 taken under advisement. And I have drafted a proposed  
4 order, which I will submit to you after the hearing  
5 today.

6                   EXAMINER EZEANYIM: Exhibits 1 through 4  
7 will be admitted.

8                   (Chi Operating, Inc. Exhibit Numbers 1  
9 through 4 were offered and admitted into  
10 evidence.)

11                   EXAMINER EZEANYIM: Counsel, do you mind if  
12 I get some clarification?

13                   MR. BRUCE: Sure.

14                   EXAMINER EZEANYIM: The compulsory pooling  
15 is being obtained because you want to do a  
16 communitization agreement with the BLM?

17                   MR. BRUCE: Yes.

18                   EXAMINER EZEANYIM: Suppose I deny the  
19 compulsory pooling order? What will happen with BLM?

20                   MR. BRUCE: The BLM would not approve the  
21 comm agreement. And the BLM has also told Chi  
22 Operating, Inc. that if they do not submit an approved  
23 communitization agreement, they won't approve any APDs  
24 for Chi Operating.

25                   EXAMINER EZEANYIM: Okay. The well was

1 drilled 14 years ago, correct?

2 MR. BRUCE: Correct.

3 EXAMINER EZEANYIM: That's a Morrow?

4 MR. BRUCE: It's a Morrow, yes. Sorry.  
5 Vertical Morrow well.

6 EXAMINER EZEANYIM: And Chi was able to  
7 obtain --

8 MR. BRUCE: Yes. You know, they have been  
9 the operator since day one. They have all the  
10 information ownership, and they did write -- actually,  
11 they wrote to quite a few people. There are numerous  
12 interest owners, but almost everyone signed the comm  
13 agreement except for the nonexistent parties and these  
14 two record title -- working interest owners.

15 EXAMINER EZEANYIM: Do you have an API  
16 number for this well?

17 MR. BRUCE: Yes. It's 3001530764.

18 EXAMINER EZEANYIM: You are not seeking any  
19 overhead rates and no penalties?

20 MR. BRUCE: No.

21 EXAMINER EZEANYIM: Why is that? You've  
22 got some working interest owners.

23 MR. BRUCE: They have already agreed to the  
24 rates.

25 EXAMINER EZEANYIM: What?

1 MR. BRUCE: They have already agreed to the  
2 rates that are currently charged on the well.

3 EXAMINER EZEANYIM: But they don't want to  
4 participate?

5 MR. BRUCE: Correct.

6 EXAMINER EZEANYIM: That's weird.  
7 What is the status of the well right now?

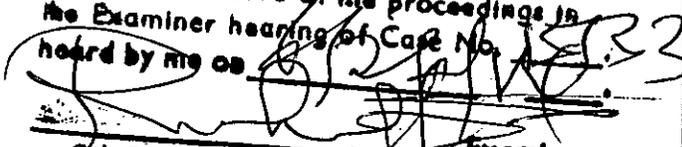
8 MR. BRUCE: It's still producing. At this  
9 point it's a, you know, fairly -- it's nearing the end  
10 of its life, but it is still producing some gas.

11 EXAMINER EZEANYIM: And this is a federal  
12 well?

13 MR. BRUCE: Correct.

14 EXAMINER EZEANYIM: Thank you very much.  
15 At this point Case 15133 will be taken  
16 under advisement.

17 (Case Number 15133 concludes, 8:43 a.m.)  
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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 15133  
heard by me on 8/21/83  
  
Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

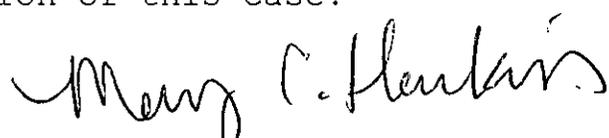
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CERTIFICATE OF COURT REPORTER

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

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

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



MARY C. HANKINS, CCR, RPR  
Paul Baca Court Reporters, Inc.  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2014