

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 PRIDE ENERGY COMPANY)
FOR COMPULSORY POOLING, LEA COUNTY,)
NEW MEXICO)

CASE NO. 13,703

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

May 25th, 2006

Santa Fe, New Mexico

2006 JUN 9 AM 11 42

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, May 25th, 2006, 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

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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

* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

1 WHEREUPON, the following proceedings were had at
2 8:16 a.m.:

3 EXAMINER EZEANYIM: Then we call Case Number
4 13,703. This is the Application of Pride Energy Company
5 for compulsory pooling, Lea County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
8 representing the Applicant. I'm doing this case by
9 affidavit, so I just have a brief statement.

10 EXAMINER EZEANYIM: Any other appearances?

11 Okay, Mr. Bruce, you may continue.

12 MR. BRUCE: Mr. Examiner, I've handed you a
13 package of exhibits. If you'd look at Exhibit 1 and then
14 maybe turn four pages back to the land plat, this -- in
15 this Application Pride Energy Company seeks the force
16 pooling of the north half of Section 13, 11 South, 33 East.

17 If you look at the plat, the north half is
18 highlighted. It is a single tract, and all of the -- a
19 single fee tract, and all of the interests in that north
20 half are undivided. There's a little circle on there
21 indicating the well, which is to be located 1980 from the
22 north and 1680 from the east line.

23 EXAMINER EZEANYIM: Okay, let me get that. Is
24 that some other --

25 MR. BRUCE: It is stated in paragraph -- at the

1 bottom of paragraph 2.(b), but it is 1980 from the north
2 line and 1680 from the east line.

3 The parties being pooled are all unleased mineral
4 owners. I examined title to this property, and there's
5 about -- oh, there's over 50, five-zero, mineral owners in
6 this tract. And Pride Energy has leased up about 75
7 percent of them, and it seeks to force pool the remaining
8 unleased mineral owners.

9 The parties have all been contacted -- or I
10 should say, everyone who is locatable has been contacted.
11 There are some people who I'll get to in a minute, who have
12 been difficult to track down, since they have not appeared
13 of record for decades.

14 EXAMINER EZEANYIM: Excuse me, where do I get
15 that location of the well?

16 MR. BRUCE: If you turn to page 2 of Exhibit 1,
17 the unnumbered paragraph starting with, The units, the
18 second paragraph down.

19 EXAMINER EZEANYIM: Okay. Okay, go ahead.

20 MR. BRUCE: The Applicant seeks to force pool the
21 southwest quarter, northeast quarter, for 40 acres, the
22 west half, northeast quarter, for 80 acres, the northeast
23 quarter for 160-acre units, and the north half for 320-acre
24 units.

25 Because all of the interests are undivided,

1 everyone's interest is the same, regardless of the unit and
2 regardless of the depth.

3 This is a Mississippian test, and Applicant seeks
4 to force pool everything from the surface to the base of
5 the Mississippian.

6 Exhibit B, a couple pages back, lists all of the
7 unleased mineral owners and their interests. You can see
8 that the mineral -- these are just the unleased parties.
9 There are a number of others who have been leased. You can
10 see that a lot of these mineral interests are quite small,
11 and they've just been divided down over the last -- I think
12 this property was patented about 100 or 95 years ago.

13 Exhibit C to the Application gives the last known
14 address of all the parties being pooled.

15 Exhibit D is all of the correspondence sent to
16 the locatable parties.

17 And on page 2 of Exhibit 1, paragraph 2.(e) lists
18 the people who have been unlocatable to date. You can see
19 that anywhere from 35 to 45 years has passed, and no -- and
20 there has been nothing of record since these dates
21 regarding these people.

22 International Oil and Mining Company is
23 apparently -- we have an address for it out in California,
24 but we don't know if the company still exists.

25 Myrtle Houghton inherited an interest, and we

1 tracked some of her relatives down to Colorado and to
2 Kansas, but we have been unable to obtain from them a
3 straight story on who inherited what, because there is no
4 probate for Myrtle Houghton after she died.

5 And then J.W. Hill, the instrument by which he
6 acquired an interest didn't state any address for him
7 whatsoever. We've tried to track him down in Lea County,
8 but that's about it.

9 We believe, as stated in the affidavit, Pride
10 Energy Company has made a good faith effort to locate the
11 interest owners and to obtain their voluntary joinder in
12 the well unit.

13 Exhibit E attached to the Application, the very
14 last page of the -- I should say of Exhibit 1, is the AFE
15 for the well with a dryhole cost of \$1,685,000 and the
16 completed well cost of \$2,497,000. Applicant believes this
17 is a fair and reasonable cost. The depth is just under
18 12,000 feet.

19 And Applicant requests overhead rates of \$7330 a
20 month for a drilling well and -- or excuse me, that should
21 be for a producing well.

22 EXAMINER EZEANYIM: How much?

23 MR. BRUCE: \$7330, and then \$760 a month -- or
24 excuse me, that is for a drilling well, \$7330 a month for a
25 drilling well, and \$767 a month for a producing well.

1 And further, Applicant requests that a 200-
2 percent risk charge be assessed against the unleased
3 mineral owners.

4 Exhibit 2 is the notice sent to the various
5 parties. And almost all of these people received notice.
6 There was a couple of returned -- like I said, the only one
7 we didn't have absolutely -- we had absolutely no address
8 for was J.W. Hill. Of all the other people, International
9 Oil and Mining Company, that was undeliverable, and that
10 was -- and then Chaucer Francis refused to pick up his
11 mail.

12 Everybody else we got addresses for, and they did
13 receive notice.

14 Exhibit 3 is a notice published in the Hobbs
15 newspaper.

16 EXAMINER EZEANYIM: Mr. Bruce, what do you mean
17 by undeliverable? It was returned to you?

18 MR. BRUCE: International Oil and Mining
19 apparently -- International Oil and Mining Company, Mr.
20 Examiner, if you go -- let me see, one, two -- eight pages
21 from the back of Exhibit 2 is the letter -- a copy of the
22 letter sent to International Oil and Mining Company, and
23 they attempted to deliver it, and it simply -- I can't read
24 the handwriting. It says, No -- no mailbox. And that is
25 an address we got for that company from the Secretary of

1 State of California, which maintains the corporation
2 records in California.

3 And again, that company has -- it's been over 40
4 years since that company acquired its interest, and we
5 don't know what's happened to it.

6 There were a couple others that were returned,
7 but we subsequently got new addresses and mailed notice to
8 them.

9 And then a couple pages forward, as I said,
10 Chaucer Francis, he did not -- they tried three times to
11 deliver the letter to him, but it was -- he refused to
12 claim it, which often happens.

13 But we did publish notice as against those we
14 thought we did not have a good address for.

15 And I would move the admission of Exhibits 1
16 through 3 and ask that this matter be taken under
17 advisement.

18 EXAMINER EZEANYIM: No objection, Exhibits 1
19 through 3 will be taken into evidence.

20 What exhibit is your advertisement here?

21 MR. BRUCE: Excuse me?

22 EXAMINER EZEANYIM: Oh, okay, yeah, it's Exhibit
23 3.

24 MR. BRUCE: Yes.

25 EXAMINER EZEANYIM: And you wish to exclude the

1 following from this compulsory pooling case, those --

2 MR. BRUCE: That is I sent a letter that certain
3 people were noticed in error. Most of them were named
4 Parrett, P-a-r-r-e-t [sic], and -- Yeah, Theldon Parrett,
5 Carl and Kathy Parrett, Larry Parrett, Roy Parrett, and
6 Ruby Kralowetz.

7 Those people -- I got a listing of people from my
8 client, and those were for an adjoining tract. I believe
9 they own in the south half, so they do not own in this
10 tract.

11 EXAMINER EZEANYIM: The question is whether they
12 knew that, because as you know, they just wanted to -- they
13 wrote and said they want to understand what you are talking
14 about.

15 MR. BRUCE: Yeah.

16 EXAMINER EZEANYIM: Did you get that letter they
17 wrote?

18 MR. BRUCE: And I did provide that letter that I
19 sent to the Division, the one that you have --

20 EXAMINER EZEANYIM: Yeah.

21 MR. BRUCE: -- I did fax that to their attorney
22 over in Globe, Arizona.

23 EXAMINER EZEANYIM: And they know now that they
24 are not -- they have no interest --

25 MR. BRUCE: That is correct, yeah.

1 EXAMINER EZEANYIM: Let's go back to the overhead
2 rates. You said the drilling is \$7330, right?

3 MR. BRUCE: \$7330.

4 EXAMINER EZEANYIM: Drilling. And then producing
5 is \$767?

6 MR. BRUCE: That is correct.

7 EXAMINER EZEANYIM: Is that -- What is the depth
8 of this well?

9 MR. BRUCE: 11,700 feet.

10 EXAMINER EZEANYIM: And that is the usual
11 overhead rates in that area?

12 MR. BRUCE: I understand that these are the
13 current Ernst and Young rates for this area of New Mexico,
14 the most recent.

15 EXAMINER EZEANYIM: Okay. Since the well is in a
16 standard location have you -- has your client gotten any
17 APD for that?

18 MR. BRUCE: Yes, they -- I believe so. I know
19 it's been surveyed, Mr. Examiner. It has been surveyed.

20 EXAMINER EZEANYIM: And no API number yet?

21 MR. BRUCE: No. If it hasn't been filed -- I
22 think it may have recently been filed. I didn't check the
23 date of the survey on that C-102.

24 EXAMINER EZEANYIM: Okay. Anything further?

25 MR. BRUCE: Nothing further.

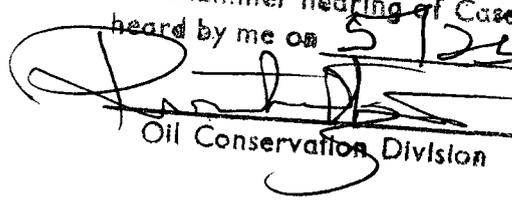
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EXAMINER EZEANYIM: At this point Case Number
13,703 will be taken under advisement.

And this concludes the hearing today.

(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. 13703
heard by me on 5/26/86.
 , 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 May 25th, 2006.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006