

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 ENERGEN RESOURCES)
 CORPORATION FOR COMPULSORY POOLING,)
 RIO ARRIBA COUNTY, NEW MEXICO)

CASE NO. 13,733

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

June 22nd, 2006

Santa Fe, New Mexico

2006 JUL 6 AM 8 07

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, June 22nd, 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.

* * *

I N D E X

June 22nd, 2006
 Examiner Hearing
 CASE NO. 13,733

	PAGE
APPEARANCES	3
APPLICANT'S WITNESS:	
<u>DAVID POGUE</u> (Landman)	
Direct Examination by Mr. Hall	4
Examination by Examiner Catanach	10
REPORTER'S CERTIFICATE	13

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	12
Exhibit 2	6	12
Exhibit 3	7	12
Exhibit 4	8	12
Exhibit 5	10	12

* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

MILLER, STRATVERT P.A.
150 Washington
Suite 300
Santa Fe, New Mexico 87501
By: J. SCOTT HALL

* * *

1 WHEREUPON, the following proceedings were had at
2 8:40 a.m.:

3 EXAMINER CATANACH: All right, at this time I'll
4 call Case 13,733, the Application of Energen Resources
5 Corporation for compulsory pooling, Rio Arriba County, New
6 Mexico.

7 Call for appearances.

8 MR. HALL: Mr. Examiner, Scott Hall, Miller
9 Stratvert law firm, Santa Fe, appearing on behalf of the
10 Applicant Energen Resources Corporation, with one witness
11 this morning.

12 EXAMINER CATANACH: Call for any additional
13 appearances.

14 There being none, will the witness please stand
15 to be sworn in?

16 (Thereupon, the witness was sworn.)

17 DAVID POGUE,
18 the witness herein, after having been first duly sworn upon
19 his oath, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. HALL:

22 Q. For the record, please state your name.

23 A. My name is David Pogue.

24 Q. Mr. Pogue, where do you live and by whom are you
25 employed?

1 A. I live in Farmington, New Mexico. I'm employed
2 by Energen Resources Corporation.

3 Q. And in what capacity for Energen?

4 A. I am a district landman for Energen.

5 Q. Okay. You've previously testified before the
6 Division and had your credentials as an expert professional
7 landman established as a matter of record, have you not?

8 A. Yes, sir.

9 Q. And you're familiar with the Application that's
10 been filed in this case and the lands that are the subject
11 of the Application?

12 A. Yes.

13 MR. HALL: Mr. Examiner, are the witness's
14 credentials acceptable?

15 EXAMINER CATANACH: They are.

16 Q. (By Mr. Hall) Mr. Pogue, explain what Energen
17 seeks by this Application.

18 A. We would like to see the west half of Section 2
19 pooled from the Mesaverde formation so that -- to -- so we
20 can complete our McCroden C Number 1 well.

21 Q. And is the McCroden C Number 1 a recompletion?

22 A. Yes, it is.

23 Q. Okay. And what acreage are you seeking to pool?

24 A. It's the west half of Section 2.

25 Q. Is that in 25 North, 3 West?

1 A. Yes, sir.

2 Q. Let's look at your exhibits, if you would,
3 please. Identify Exhibit 1.

4 A. Exhibit 1 is a plat of the area to be
5 communitized, showing the west half of the section. Shows
6 the two federal leases covering lots 3 and 4 in the
7 northwest quarter of Section 2, the north half, southwest
8 quarter is also covered by an additional federal oil and
9 gas lease. Energen Resources owns 100 percent of each of
10 these leases. The south half, southwest quarter, Energen
11 owns 78 percent of it, and the rest of it is unleased
12 mineral interest owned by four different individuals.

13 Q. Okay. And are the surface and bottomhole
14 locations for the recompleted well standard?

15 A. Yes, they are.

16 Q. Okay. Let's look at Exhibit 2, your AFE. If you
17 would review the dryhole and completed well cost figures
18 for the Examiner.

19 A. The dryhole costs at present are nothing because
20 the well is already drilled; it's just a recompletion
21 attempt. The completed well cost would be \$189,980.

22 Q. And are those recompletion costs in line with
23 what you see in the Basin these days?

24 A. Yes, they are.

25 Q. All right. And have you made an estimate of the

1 overhead and administrative costs while drilling and
2 producing the well?

3 A. Yes, our requested drilling costs are \$5000 per
4 month, and the producing costs are \$570 per month.

5 Q. And are the parties who are participating in this
6 well agreed to these rates?

7 A. Yes, they have.

8 Q. Okay, and are these overhead rates also in line
9 with what's being charged in the Basin?

10 A. Yes.

11 Q. And are you recommending that these drilling and
12 producing rates be incorporated in any order that issues
13 from the Division?

14 A. Yes, I am.

15 Q. And are you asking that the Division provide for
16 an adjustment in those overhead rates in accordance with
17 the COPAS bulletin?

18 A. Yes.

19 Q. Let's look in a little more detail at your
20 ownership breakdown, your Exhibit 3. If you'd explain that
21 to the Hearing Examiner.

22 A. The Exhibit 3 shows the Mesaverde formation
23 ownership in this west half of Section 2 in our McCroden C
24 Number 1 well.

25 Energen has oil and gas leases and have joined in

1 the well, and we own 95.08 percent.

2 JAS Oil and Gas, LLC, is an unleased mineral
3 owner who has joined, owns 3.73 percent.

4 Josie Gallegos is unleased minerals. We
5 presently find her unlocatable, and we have some indication
6 she's deceased but we have not proof of that.

7 The Louis Martinez Estate, also unleased
8 minerals, has joined in the well with their .28 percent.

9 And Amadito Valdez has unleased minerals. We
10 have been able to be in contact with him, but we cannot get
11 a response out of him or contact him by phone. He has .032
12 percent interest in the well.

13 Q. Okay. And are you asking the Division to force
14 pool these unjoined mineral interests at the statutory 1/8
15 royalty rate, 7/8 working interest rate?

16 A. Yes.

17 Q. And are you also seeking the imposition of the
18 200-percent risk penalty against those interests?

19 A. Yes.

20 Q. Let's look at your Exhibit 4, and if you would
21 just explain the efforts you undertook to try to locate
22 these mineral interest owners and communicate with them.

23 A. Exhibit 4 is copies of the letters sent. We sent
24 letters to the Gallegos and Valdez people on March 3rd,
25 followed up again on April the 7th. We have been able --

1 we have tried on numerous occasions to locate them by
2 phone, using Internet searches, as well as directory
3 assistance searches. Both letters to Josie Gallegos have
4 been returned by the post office.

5 And the certified return receipts from Amadito
6 Valdez have been returned, but we have been unable to
7 contact him or get a response out of him.

8 Q. All right. And does a compilation of all of
9 those letters comprise Exhibit 4?

10 A. Yes.

11 Q. And the return receipts as well?

12 A. Yes.

13 Q. Okay. In your opinion, has Energen made a good
14 faith effort to attempt to locate those mineral interest
15 owners and obtain their voluntary participation in the
16 well?

17 A. Yes, we have.

18 Q. In your opinion, would granting Energen's
19 Application be in the interests of conservation, prevention
20 of waste, protection of correlative rights?

21 A. Yes.

22 Q. Were Exhibits 1 through 4 prepared by you?

23 A. Yes, they were.

24 MR. HALL: That concludes our direct of this
25 witness, Mr. Examiner.

1 Q. And how long has that been going on?

2 A. Oh, for over a year.

3 Q. And why do you think that she may be deceased?

4 A. Well, it's just the indication I get from our
5 Division Order staff.

6 Q. And have you tried to contact Mr. Valdez by phone
7 or --

8 A. Yes, we have. We can't find a phone number for
9 him.

10 Q. But he is receiving your letters?

11 A. He's receiving the letters, he signs the return
12 receipts from the post office, but we can't get a response
13 out of him of any kind.

14 Q. Okay. Now, is this the first Mesaverde well that
15 will be on that west half?

16 A. Yes.

17 Q. And the well is currently -- it's drilled -- it's
18 a Dakota well, right?

19 A. It was drilled as a Gallup-Dakota, and that's
20 been plugged.

21 Q. So it's currently plugged and abandoned?

22 A. No, it's currently --

23 Q. It's currently plugged --

24 A. -- shut in, right now. We had a rig in the area
25 last summer, just the last couple months, and we would have

1 had to move it out and then move it back in, so we went
2 ahead and did the recompletion work. And then once it was
3 done, it was shut in. And it's setting right now.

4 Q. So the well has already been recompleted?

5 A. Yes, the well has been recompleted in the
6 Mesaverde, but we haven't tested or produced it.

7 EXAMINER CATANACH: Okay, that's all I have.

8 MR. HALL: That concludes our case.

9 EXAMINER CATANACH: Did we admit the exhibits?
10 We may not have. Anyway, Exhibits 1 through 5 are admitted
11 in the case.

12 And there being nothing further, Case 13,733 will
13 be taken under advisement.

14 (Thereupon, these proceedings were concluded at
15 8:50 a.m.)

16 * * *

17
18
19 I do hereby certify that the foregoing is
20 a complete record of the proceedings in
the Examiner hearing of Case No. 13733,
heard by me on June 22, 2006.
21 David R. Catanch, Examiner
22 Oil Conservation Division
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 June 23rd, 2006.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006