

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. 13,735

APPLICATION OF LCX ENERGY, LLC, FOR)
 COMPULSORY POOLING, EDDY COUNTY,)
 NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

August 17th, 2006

Santa Fe, New Mexico

2006 AUG 31 AM 10 26

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, August 17th, 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

August 17th, 2006
Examiner Hearing
CASE NO. 13,735

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 7	7	-
Exhibit 7-A	-	-
Exhibit 7-B	-	-

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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

* * *

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

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

3 EXAMINER CATANACH: At this time I'll call Case
4 13,735, which is the Application of LCX Energy, LLC, for
5 compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. HALL: Mr. Examiner, Scott Hall, Miller
8 Stratvert, PA, Santa Fe, on behalf of the Applicant, LCX
9 Energy, LLC. I have no witnesses this morning.

10 EXAMINER CATANACH: Okay, are there any
11 additional appearances? Okay, there are no additional --

12 MS. ROADY: Yeah, I'm sorry.

13 EXAMINER CATANACH: Oh, I'm sorry.

14 MS. ROADY: I'm actually a little confused
15 because I just received this in the mail yesterday. It was
16 sent certified mail to Arizona, and -- I think in a search
17 for my location. But I just received this, so I have a
18 little bit of confusion regarding the case. However, my
19 name is Jennifer Roady and again, I -- you know, have a few
20 issues with regards to the lease, so that's why I'm here
21 today.

22 EXAMINER CATANACH: Okay.

23 MS. ROADY: It says Applicant proposed 16-25.
24 That I'm not sure -- anyway --

25 EXAMINER CATANACH: Okay, you're here for the LCX

1 case on the 1625 Sallee Well Number 141?

2 MS. ROADY: That's exactly what this says.

3 EXAMINER CATANACH: Okay, and are you an interest
4 owner in that --

5 MS. ROADY: Yes, uh-huh.

6 EXAMINER CATANACH: Okay. We actually had the --
7 The hearing on this matter was actually held, I believe,
8 four or six weeks ago, wasn't it Scott?

9 MR. HALL: Yes, Mr. Examiner, and at the time we
10 asked that the matter be continued rather than being taken
11 under advisement, for the reason that additional title
12 information came in. We had a number of unlocatable
13 mineral interest owners who we weren't able to locate and
14 communicate with.

15 We also determined that a lot of those interest
16 owners were heirs of a deceased interest owner whose name
17 was George Curtis Roady, and actually the record title
18 interest is in the name of George Curtis Roady. And so
19 what we had done was placed an advertisement in the
20 Carlsbad newspaper identifying the decedent, as well as
21 Jennifer Roady now, because we hadn't been able to contact
22 them before now.

23 And also we provided notice by mail to Ms. Roady
24 care of Mark Alan Roady in Scottsdale. That's the best
25 address information we had at the time --

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1 EXAMINER CATANACH: Uh-huh.

2 MR. HALL: -- and no response was received to the
3 well proposals or to the compulsory pooling Application,
4 so... But obviously we have Ms. Roady here now.

5 MS. ROADY: Well this letter actually says that
6 -- and sure enough, it was care of my brother. But this
7 letter says that the hearing is scheduled for today at
8 8:15. That's how I knew about the hearing, and that -- it
9 didn't say anything about a previous hearing, so I wasn't
10 aware of the actual hearing.

11 I received the original lease, which I did not
12 sign because I had some issues and things surrounding that.
13 However, this -- Yeah, this letter from the law firm states
14 that -- you know, at this day on 8:15, that the hearing
15 will be held. So that's the notice that I received. And I
16 actually just was forwarded the mail yesterday from my
17 brother, who is in Scottsdale, Arizona.

18 EXAMINER CATANACH: Okay. Mr. Hall, are you --
19 is LCX still willing to talk to Ms. Roady and try to come
20 up with a solution to this?

21 MR. HALL: We'd be glad to try to negotiate a
22 deal with her. I wasn't aware that she had, in fact,
23 received a lease offer before, but I'm glad she's confirmed
24 that. I think the status of the situation now is that the
25 well is drilled is it not?

1 MR. GILLETTE: It's drilled and producing.

2 MR. HALL: And producing. And we would be more
3 than happy to discuss terms with Ms. Roady, but I think in
4 view of the fact the well is completed and on line, we'd
5 like to go ahead and have the pooling order issue, and then
6 we can negotiate terms with Ms. Roady. We'll be glad to
7 delete her from the provisions of the order.

8 (Off the record)

9 EXAMINER CATANACH: I think, Mr. Hall, what we'll
10 do is, I'm going to continue the case for two more weeks,
11 and I'm going to see if you guys can make any progress with
12 reaching an agreement with Ms. Roady. If not, and if there
13 are still some issues two weeks from now, you might have to
14 come back in with your witness and we might have to do some
15 of this over again.

16 MR. HALL: If that would be the case, I think the
17 scope of the hearing would be regarding the efforts to
18 communicate with Ms. Roady and obtain her participation in
19 the well.

20 EXAMINER CATANACH: I think that would be fine.
21 As far as, you know, there's no other interest owner that
22 might show up or might come in?

23 MR. HALL: As far as we know, I think that's
24 correct. And we had always understood, based on prior
25 Division orders, that really you're only obliged to notify

1 interest owners of record.

2 This is an unprobated interest, and we've gone
3 beyond that and notified the apparent heirs of the decedent
4 of the interest owner of record. And so I think we're
5 faced with something of a legal question, really, whether
6 Ms. Roady has the legal capacity to give us a lease, but
7 we'll have to address that with her.

8 But right now, I think our objective is to pool
9 all the interests of record, and I'm satisfied with that.

10 But let me go ahead and offer into the record
11 Exhibit 7, which is my notice affidavit, and it also has
12 the original of the newspaper advertisement in the Carlsbad
13 newspaper.

14 EXAMINER CATANACH: Okay, well, why don't we do
15 that, see if -- We'll give you guys a couple weeks --

16 MR. HALL: Sure.

17 EXAMINER CATANACH: -- see if you can hammer
18 something out. If not, come back in. I mean, Ms. Roady,
19 if you still have some concerns about this I suggest you
20 come back in in two weeks --

21 MS. ROADY: Uh-huh.

22 EXAMINER CATANACH: -- we'll call the hearing
23 again, and --

24 (Off the record)

25 EXAMINER CATANACH: Okay, so let's do that.

1 Let's continue for two weeks to the August 31st hearing and
2 see if you can work something out, and then you can report
3 back to me at that time --

4 MR. HALL: Sure --

5 EXAMINER CATANACH: -- what the status is.

6 MR. HALL: -- we'll do that.

7 EXAMINER CATANACH: Okay?

8 (Thereupon, these proceedings were concluded at
9 8:28 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. 13735
heard by me on August 7 2006

David R. Catanach, Examiner
Oil Conservation Division

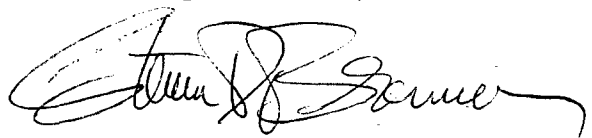
CERTIFICATE OF REPORTER

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 August 17th, 2006.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006