

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. 13,805

APPLICATION OF BP AMERICA PRODUCTION)
COMPANY FOR COMPULSORY POOLING, LEA)
COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

November 30th, 2006

Santa Fe, New Mexico

2006 DEC 13 PM 3

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, November 30th, 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

November 30th, 2006
 Examiner Hearing
 CASE NO. 13,805

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	3	7
Exhibit 2	6	7
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Exhibit 4	7	7
Exhibit 5	7	7
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A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS, JR.
 Assistant General Counsel
 Energy, Minerals and Natural Resources Department
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 Santa Fe, New Mexico 87505

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 10:31 a.m.:

3 EXAMINER EZEANYIM: Now I call Case Number
4 13,805. This Application was continued from November 9th,
5 2006, Examiner Hearing, and this is the Application of BP
6 America Production Company for compulsory pooling, Lea
7 County, New Mexico.

8 Call for appearances.

9 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
10 representing the Applicant. I'm submitting this case by
11 affidavit.

12 EXAMINER EZEANYIM: Any other appearances,
13 please?

14 MR. BRUCE: Mr. Examiner, I've handed you several
15 exhibits, and I think if you'd turn to Exhibit 1, back
16 three pages to Exhibit A, to explain what this case is
17 about.

18 EXAMINER EZEANYIM: Okay.

19 MR. BRUCE: This case seeks the force pooling of
20 record title owners in the west half of Section 3 of 18
21 South, 34 East. This is all State of New Mexico land, and
22 the South Sunflower 3 State Com Well Number 1 has been
23 drilled in what's marked as Tract 2, which is Lot 4 or the
24 northwest quarter, northwest quarter of the section. It is
25 a producing well.

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1 The sole purpose for this Application is to
2 consolidate the record title owners so that the State Land
3 Office will sign a communitization agreement.

4 Tract 2 is owned, in the State Land Office
5 records, by the Estate of Gordon M. Cone. And Tract 4 is
6 owned of record in the State Land Office records by Dalport
7 Oil Corporation, which is a defunct corporation.

8 I'll go through the documents in a little -- and
9 if you would turn to the back of the exhibit pages,
10 Exhibits 5 and 6 are printouts from the State Land Office
11 website, showing again the record title ownership of these
12 interests.

13 The Estate of Gordon Cone or his heirs and
14 Dalport Oil Corporation do not own any working interest in
15 the well, so we are not seeking to force pool them and get
16 a penalty assessed. This is merely so that the State Land
17 Office will accept these interest owners as being force
18 pooled for purposes of a communitization agreement.

19 EXAMINER EZEANYIM: So you are not asking for any
20 risk penalty?

21 MR. BRUCE: That is correct.

22 EXAMINER EZEANYIM: And the reason being -- ?

23 MR. BRUCE: These working interest -- these
24 record title owners -- in state leases they're -- The lease
25 in the State Land Office records is owned by a, quote,

1 unquote, record title owner, and in this case the owners
2 had many years ago conveyed away their working interest.
3 They're still record title owners in the State records, but
4 they do not own any working interest, so they are not
5 responsible for any of the costs of the well, and they
6 receive no revenue from the well.

7 But when it comes to communitization agreements,
8 the State Land Office requires the signature of the record
9 title owners, or they will not approve the com agreement.
10 And in this case we have been unable, because of a defunct
11 corporation, to get the signature of one of the record
12 title owners. And on the others, for the Estate of Gordon
13 Cone, his heirs are out there, but they have refused to
14 sign any communitization agreement.

15 EXAMINER EZEANYIM: So actually this compulsory
16 pooling is for them to sign that agreement?

17 MR. BRUCE: It substitutes as their signature for
18 the State Land Office on a communitization agreement.

19 EXAMINER EZEANYIM: So if they have signed, then
20 it should dismiss the case?

21 MR. BRUCE: Yeah, if they would have signed --
22 and what we have done, I'll go through this, we have
23 notified not only the heirs of Gordon M. Cone, we've also
24 notified the last shareholders of Dalport Oil Corporation,
25 even though it's defunct.

1 And actually, the companies, both BP America and
2 the prior operator, OXY, have tried for a number of months
3 to get them to sign, and they have not signed. So as a
4 result, in order to consolidate these leases in the State
5 Land Office records, we had to file this force pooling
6 Application.

7 EXAMINER EZEANYIM: Okay, go ahead.

8 MR. BRUCE: Again, Exhibit 1, if you go through
9 it, Exhibit A is the land plat.

10 Exhibit B simply lists the two leases that we
11 seek to force pool, and the heirs of Gordon M. Cone, who
12 are his children, and the shareholders of Dalport Oil
13 Corporation.

14 Submitted as -- Attached as Exhibit C-1 and C-2
15 are the letters sent to the heirs or shareholders by BP
16 America. As I said, there was substantial prior
17 correspondence by Occidental, the prior operator, and the
18 parties have simply failed to respond to these requests to
19 sign the com agreement.

20 Attached as Exhibit 2 is the notice letter sent
21 to the interest owners notifying them of the hearing. The
22 hearing was originally scheduled for November 9th and was
23 continued to this date.

24 Exhibit 3 is a notice published in the Hobbs
25 newspaper to Dalport Oil Corporation and the heirs of

1 Gordon M. Cone. One of the letters originally came back, a
2 letter to Kenneth G. Cone.

3 I've simply attached as Exhibit 4 a page from the
4 Midland phone -- from the 2006 Midland phone book, to show
5 that I did mail the address -- or the notice, to the most
6 recent address, and for whatever reason it came back.

7 And again, Exhibits 5 and 6 are just from the
8 State Land Office website, showing that these are indeed
9 the record title owners in these leases.

10 Again, we do not seek any production -- any risk
11 penalty against these interest owners. And as a result of
12 them not owning any working interest, they are not assessed
13 any operating charges either.

14 So it is simply a force pooling of record title
15 owners so that the Commissioner of Public Lands will
16 execute the communitization agreement which BP America has
17 prepared.

18 And all the other lessees of record, OXY and
19 Chevron and BP, have executed the com agreement.

20 EXAMINER EZEANYIM: Are you done?

21 MR. BRUCE: I have nothing further, and I would
22 move the admission of Exhibits 1 through 6.

23 EXAMINER EZEANYIM: Exhibits 1 through 6 will be
24 admitted into evidence.

25 Do you have any questions?

1 MR. BROOKS: No.

2 EXAMINER EZEANYIM: Has this well been drilled?

3 MR. BRUCE: The well has been drilled. It was
4 drilled -- It might have even been drilled in 2005.

5 EXAMINER EZEANYIM: Do you happen to have the
6 location of that well?

7 MR. BRUCE: Somewhere I do, Mr. Examiner.

8 EXAMINER EZEANYIM: If you don't have it, then
9 you might send it for my information, so we can move ahead.

10 MR. BRUCE: I will e-mail that to you. Somewhere
11 in this file I do have the footage location.

12 EXAMINER EZEANYIM: Okay, with nothing further,
13 Case Number 13,805 will be taken under advisement.

14 (Thereupon, these proceedings were concluded at
15 10:40 a.m.)

16 * * *

17
18
19 I do hereby certify that the foregoing is
20 a complete record of the proceedings in
21 the Examiner hearing of Case No. 13805
22 signed by me on 01/30/06
23 Oil Conservation Division Examiner
24
25

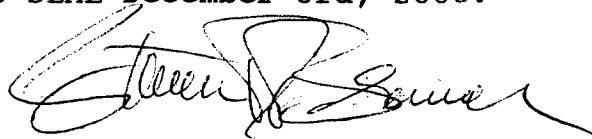
CERTIFICATE OF REPORTER

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 December 3rd, 2006.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010