

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. 13,889

APPLICATION OF PURVIS OPERATING COMPANY )  
FOR COMPULSORY POOLING, LEA COUNTY, )  
NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Jr., Hearing Examiner

March 15th, 2007

Santa Fe, New Mexico

2007 MAR 29 AM 8 05

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Hearing Examiner, on Thursday, March 15th, 2007, 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

March 15th, 2007  
 Examiner Hearing  
 CASE NO. 13,889

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APPLICANT'S WITNESS:	
<u>DALTON BRIGGS DONALDSON</u> (Landman)	
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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  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

JAMES G. BRUCE  
Attorney at Law  
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Santa Fe, New Mexico 87504

\* \* \*

1 WHEREUPON, the following proceedings were had at  
2 8:59 a.m.:

3 EXAMINER JONES: Okay, we'll jump to the next  
4 one. Let's call Case Number 13,889, Application of Purvis  
5 Operating Company for compulsory pooling, Lea County, New  
6 Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe  
9 representing the Applicant. I have one witness.

10 EXAMINER JONES: Any other appearances?  
11 Will the witness please stand to be sworn?  
12 (Thereupon, the witness was sworn.)

13 DALTON BRIGGS DONALDSON,  
14 the witness herein, after having been first duly sworn upon  
15 his oath, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. BRUCE:

18 Q. Would you please state your name and city of  
19 residence for the record?

20 A. Dalton Briggs Donaldson. I live in Midland,  
21 Texas.

22 Q. Who do you work for and in what capacity?

23 A. Purvis Operating Company, I'm the land manager.

24 Q. Have you previously testified before the  
25 Division?

1 A. No, sir, I have not.

2 Q. Could you please summarize your educational and  
3 employment background?

4 A. I've got a BA in philosophy from the University  
5 of Texas in 1989, and I was hired by Purvis in 1997. And I  
6 have a certified lease title analyst in '04, and in '05 I  
7 got my division analyst certification, and then in '05  
8 again, later, I got my CPL and AAPL certification.

9 Q. Does your area of responsibility at Purvis  
10 include this part of southeast New Mexico?

11 A. Yes, sir.

12 Q. And are you familiar with the land matters  
13 involved --

14 A. Yes, sir.

15 Q. -- in this Application?

16 A. Yes, sir.

17 MR. BRUCE: Mr. Examiner, I'd tender Mr.  
18 Donaldson as an expert petroleum landman.

19 EXAMINER JONES: Mr. Donaldson is qualified as an  
20 expert petroleum landman.

21 Q. (By Mr. Bruce) Mr. Donaldson, could you identify  
22 Exhibit 1 and briefly describe what Purvis seeks in this  
23 Application?

24 A. Yes, sir. Exhibit 1 is a land plat highlighting  
25 the east half of Section 7 in Township 15 South, 35 East.

1 And we seek to pool the east half of the section from the  
2 surface to the base of the Mississippian for a 320-acre  
3 unit, and then also seek to pool the northeast for 160 and  
4 the northeast northeast for a 40-acre unit.

5 Q. What is the proposed well's location?

6 A. It's 1310 from the east line -- from the north  
7 line, sorry, and 660 from the east.

8 Q. And who are the parties you seek to pool?

9 A. There are two left to pool. One is Flo Scott  
10 Brown, who owns approximately 6 percent in this. And then  
11 the other one is Douglas Koch, who owns about 2 percent.

12 Q. And those percentages are for a 320-acre --

13 A. Yes, sir.

14 Q. -- well unit?

15 A. Yes, sir, I'm sorry.

16 Q. And are they unleased mineral owners?

17 A. Yes, sir.

18 Q. And both of these people are locatable interest  
19 owners?

20 A. Yes, sir.

21 Q. Now let's discuss your efforts to obtain the  
22 voluntary joinder of these owners in the well. How long  
23 have you been in contact with these two people?

24 A. Since -- well, quite a while, for other reasons.  
25 But for this particular reason, since August of 2006, when

1 first we tried to unitize this with some other acreage, and  
2 that -- we had some people who did not want it unitized  
3 which -- and then -- so now we are -- to drill our well, we  
4 needed to get a permit and to get the leases, and I  
5 contacted them initially on that matter as well, and to no  
6 avail on either.

7 Q. Okay. So for purposes of this hearing, you've  
8 been in touch with them since mid-2006?

9 A. Yes, sir.

10 Q. But you have been trying to lease their interest  
11 for several years beforehand?

12 A. Yes, sir.

13 Q. Now when you weren't able to lease them, did you  
14 send a proposal letter to them?

15 A. Yes, sir, January the 3rd, I sent a letter --

16 Q. And that letter --

17 A. -- with an AFE, to ballot -- to either  
18 participate or to lease --

19 Q. Okay.

20 A. -- with the AFE included.

21 Q. Okay. And again, you did not hear favorably from  
22 them on --

23 A. No, sir.

24 Q. In your opinion, has Purvis made a good faith  
25 effort to obtain the voluntary joinder of these interest

1 owners in the well?

2 A. Yes, sir.

3 Q. Now looking at Exhibits 3 and 4, what are those?

4 A. They're two AFEs. One is to test the  
5 Mississippian, and the other one is for Strawn.

6 Q. What is the completed well cost of the  
7 Mississippian?

8 A. The Mississippian, \$3,005,700.

9 Q. And what is the completed cost of a Strawn well?

10 A. \$2,523,100.

11 Q. And are these costs in line with the costs of  
12 other wells drilled to this depth in this area of Lea  
13 County?

14 A. Yes, sir.

15 Q. Now why are you submitting two AFEs?

16 A. Well, the first AFE was our original AFE, and the  
17 Strawn AFE was done later to show -- because we think there  
18 might be a Strawn prospect there that would preclude us  
19 from drilling to the -- all the way down to the  
20 Mississippian.

21 Q. Okay, so you -- at this point, Purvis intends to  
22 drill down to the Mississippian?

23 A. Yes, sir.

24 Q. But if for engineering or geologic reasons you  
25 encounter a Strawn showing in the Strawn, Purvis may stop



1 at that point?

2 A. Yes, we would like to, yes.

3 Q. Okay.

4 A. Especially if it's something unsafe or...

5 Q. Okay, and Purvis has had experience like this  
6 before where they encountered a shallower zone and they  
7 stopped drilling and completed in that zone, drill the --

8 A. Yes, sir.

9 MR. BRUCE: Mr. Examiner, the reason we raise  
10 this is, you know, the normal pooling order says you're to  
11 commence the well within X days and drill down to, say, the  
12 Mississippian.

13 We would ask for relief from that in the event  
14 they do encounter a Strawn showing where they decide to  
15 complete in the Strawn, that they not be required to  
16 continue down to the Mississippian.

17 EXAMINER JONES: Okay.

18 Q. (By Mr. Bruce) Do you request that Purvis  
19 Operating Company be named operator of this well?

20 A. Yes, sir.

21 Q. And do you request the maximum cost plus 200-  
22 percent risk charge be assessed against nonconsenting --

23 A. Yes, sir.

24 Q. -- interest owners?

25 What overhead rates do you request?

1           A.   \$500 for the producing well and \$5000 for  
2 drilling.

3           Q.   And are these rates equivalent or lower than  
4 those charged by Purvis and other operators in this area --

5           A.   Yes, sir.

6           Q.   -- for wells of this depth?

7           A.   As far as I know.

8           Q.   And do you request that these rates be adjusted  
9 under the COPAS accounting procedure?

10          A.   Yes, sir.

11          Q.   And were the parties being pooled notified of  
12 this hearing?

13          A.   Yes, sir.

14          Q.   And is that marked -- my notice affidavit marked  
15 as Exhibit 5?

16          A.   Yes, sir, it sure is.

17               MR. BRUCE: Mr. Examiner, if you'll look at  
18 Exhibit 5 there were several additional people notified of  
19 this hearing, but Purvis has come to terms with everyone  
20 other than Flo Scott Brown and Douglas Koch.

21               The other thing -- item, if you'll turn to the  
22 last page of that exhibit, the letter to Flo Scott Brown  
23 was returned as unclaimed.

24          Q.   (By Mr. Bruce) Mr. Donaldson, do you know for a  
25 fact that the address on this letter is correct?

1 A. Yes, sir, I do.

2 Q. Have you spoken with Ms. Brown?

3 A. Yes, sir, on many occasions.

4 Q. Many occasions. And you have confirmed with her  
5 over the phone that this address in Lubbock is her correct  
6 address?

7 A. Yes, sir, I have.

8 MR. BRUCE: Also, Mr. Examiner, I spoke with Ms.  
9 Brown, and submitted as Exhibit 6 is an affidavit where I  
10 did speak with her on March 6th. She told me she would not  
11 pick up the certified mail, and as a result I re-mailed  
12 everything to her by first-class mail, and that's reflected  
13 in Exhibit 6. We just wanted to confirm that that is  
14 indeed her correct address.

15 Q. (By Mr. Bruce) Mr. Donaldson, were Exhibits 1  
16 through 6 prepared by you or under your supervision or  
17 compiled from company business records?

18 A. Yes, sir.

19 Q. And in your opinion, is the granting of this  
20 Application in the interest of conservation and the  
21 prevention of --

22 A. Yes, sir.

23 Q. -- waste?

24 MR. BRUCE: Mr. Examiner, I'd move the admission  
25 of Exhibits 1 through 6.

1 EXAMINER JONES: Exhibits 1 through 6 will be  
2 admitted into evidence.

3 EXAMINATION

4 BY EXAMINER JONES:

5 Q. Mr. Donaldson, the -- So there is a question, it  
6 sounds like, whether you will go ahead below the Strawn  
7 onto the Atoka and the Morrow. So if so -- someday you  
8 might; is that not correct?

9 A. Yes, sir. I mean, it's always -- we -- yes, sir.

10 Q. In that case, are you going to -- Who's the  
11 owners? What difference is it in the ownership in the  
12 Strawn, versus the --

13 A. There's not.

14 Q. -- Atoka?

15 A. I thought that was brought up because of the --  
16 because you all give the order to go to an X depth, and if  
17 we don't fulfill that then we lose our orders --

18 MR. BRUCE: The ownership is the same in the 320-  
19 acre units.

20 EXAMINER JONES: If it's pooled?

21 THE WITNESS: If it's pooled.

22 MR. BRUCE: Correct.

23 EXAMINER JONES: It wouldn't be --

24 THE WITNESS: Flo Scott owns certain interest in  
25 the north half northeast, south half northeast is the same,

1 and then in the southeast it's a little different, but she  
2 owns 18.888 acres in that entire -- and then Douglas Koch  
3 only owns in the southeast quarter.

4 EXAMINER JONES: Yeah.

5 THE WITNESS: So if it's, you know, unitized for  
6 the drilling then --

7 MR. BRUCE: For the 320-acre units.

8 THE WITNESS: For -- to go to the Morrow --

9 EXAMINER JONES: I can't --

10 THE WITNESS: -- for the 320.

11 EXAMINER JONES: Okay. Okay, but if it --

12 Correct me if I'm wrong. If it don't go all the way to the  
13 Morrow, it will only be pooled down through the Strawn?

14 MR. BRUCE: That would be correct. And then if  
15 they later desire to go through, down to the Morrow or  
16 Mississippian, they would have to come back and get a  
17 supplemental order.

18 EXAMINER JONES: Which would only be deepening --

19 MR. BRUCE: Correct.

20 EXAMINER JONES: -- costs only --

21 MR. BRUCE: That's correct.

22 EXAMINER JONES: -- to the owners in the -- those  
23 deeper zones.

24 Q. (By Examiner Jones) What size casing would you  
25 run to the -- through the Strawn?

1           A.    I am not sure about that.  I do land work, not  
2 the engineering part.

3           Q.    I can't see it on this AFE.

4           A.    Oh, I see.  Let's see.

5           Q.    I just would be concerned because the --

6           A.    It would be 7-inch casing.

7           Q.    Okay, that will take care of it.

8                   It looks like the Morton -- Morton Pools?

9           A.    Yes, sir, are just north and a little west of  
10 Lovington --

11          Q.    Okay.

12          A.    -- if you know where that area is.

13          Q.    High-priced real estate.

14          A.    Yes, sir.

15          Q.    Is this going to be the Antelope Well Number 1?  
16 Do you have an API yet?

17          A.    We do, but I don't have that with me.

18                   EXAMINER JONES:  I can find it.

19                   MR. BRUCE:  It is on the OCD's website.

20                   THE WITNESS:  Yes, sir, it's been approved.

21                   EXAMINER JONES:  Okay.  David, do you have any  
22 questions?

23                                   EXAMINATION

24           BY MR. BROOKS:

25          Q.    I probably was not listening well enough, but you

1 only have the mailing information on Koch and Flo Scott  
 2 Brown. What happened to the other three people listed  
 3 on --

4 A. The other three people I found or have made a  
 5 deal with --

6 Q. So Campbell, Airy and Eiland have all joined --

7 A. Yes, sir.

8 Q. -- in this well?

9 A. Eiland had just took a lease before we came here,  
 10 and Airy sold his interest to Eiland. And then Campbell,  
 11 he got a divorce, and I finally located him and he was in  
 12 transition, so he signed a lease a couple -- about two or  
 13 three weeks ago.

14 Q. Okay, very good.

15 A. And I found him through some other relatives,  
 16 so...

17 EXAMINER JONES: Okay, that's all we've got.  
 18 Thank you --

19 THE WITNESS: Thank you.

20 EXAMINER JONES: -- Mr. Bruce.

21 With that, we'll take Case 13,889 under  
 22 advisement.

23 (Thereupon, these proceedings were concluded at  
 24 9:12 a.m.)

25 I do hereby certify that the foregoing is  
 a complete record of the proceedings in  
 the Examiner hearing of Case No. \_\_\_\_\_,  
 \* \* heard by me on \_\_\_\_\_.

STEVEN T. BRENNER, Examiner  
 (505) 989-9317  
 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 March 18th, 2007.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2010