

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. 13,930

APPLICATION OF NADEL AND GUSSMAN)
 PERMIAN, L.L.C., FOR COMPULSORY)
 POOLING, EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Jr., Hearing Examiner

June 7th, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Jr., Hearing Examiner, on Thursday, June 7th, 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.

* * *

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

RECEIVED
 2007 JUN 21 PM 10 14

I N D E X

June 7th, 2007
 Examiner Hearing
 CASE NO. 13,930

PAGE

APPLICANT'S WITNESS:

SAM H. JOLLIFFE, IV (Landman)

Direct Examination by Mr. Bruce

3

Examination by Examiner Brooks

9

REPORTER'S CERTIFICATE

11

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	4	9
Exhibit 2	5	9
Exhibit 3	6	9
Exhibit 4	6	9
Exhibit 5	7	9
Exhibit 6	8	9

* * *

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

* * *

1 WHEREUPON, the following proceedings were had at
2 9:04 a.m.:

3
4
5 EXAMINER BROOKS: Call Case Number 13,930,
6 Application of Nadel and Gussman Permian, L.L.C., for
7 compulsory pooling, Eddy County, New Mexico.

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

10 EXAMINER BROOKS: Other appearances?
11 Very good, the witness may be sworn.
12 (Thereupon, the witness was sworn.)

13 EXAMINER BROOKS: You may proceed.

14 SAM H. JOLLIFFE, IV,
15 the witness herein, after having been first duly sworn upon
16 his oath, was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Would you please state your name for the record?

20 A. My name is Sam Jolliffe.

21 Q. Where do you reside?

22 A. Midland, Texas.

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

24 A. Nadel and Gussman Permian, LLC, in the capacity
25 as land manager.

1 Q. Have you previously testified before the
2 Division?

3 A. Yes.

4 Q. And were your credentials as an expert petroleum
5 landman accepted as a matter of record?

6 A. Yes.

7 Q. And are you familiar with the land matters
8 involved in this case?

9 A. Yes.

10 MR. BRUCE: Mr. Examiner, I'd tender Mr. Jolliffe
11 as an expert petroleum landman.

12 EXAMINER BROOKS: So qualified.

13 Q. (By Mr. Bruce) Mr. Jolliffe, could you identify
14 Exhibit 1 for the Examiner and describe what Nadel and
15 Gussman seeks in this Application?

16 A. Yes, Exhibit 1 is a land plat highlighting the
17 west half of Section 20, Township 23 South, Range 28 East
18 in Eddy County.

19 Nadel and Gussman seeks to pool the west half of
20 Section 20 from the base of the Delaware formation to the
21 base of the Morrow formation.

22 MR. BRUCE: Mr. Examiner, the Application
23 originally said surface to base of Morrow, but we are
24 amending that to request base of Delaware to base of
25 Morrow.

1 EXAMINER BROOKS: Base of Delaware to base of
2 Morrow.

3 MR. BRUCE: And also the Application did request
4 pooling 160-acre units, but an interest -- the only
5 interest owner who was notified with respect to 160-acre
6 interests has farmed out to Nadel and Gussman, and
7 therefore we do not seek to pool 160-acre units.

8 EXAMINER BROOKS: Very good.

9 Q. (By Mr. Bruce) Mr. Jolliffe, what is the well's
10 location?

11 A. The well will be drilled at an orthodox location
12 1950 feet from the north line and 660 feet from the west
13 line of Section 20.

14 Q. What is presented on Exhibit 2?

15 A. Exhibit 2 reflects the working interest owners in
16 this 320-acre spacing unit.

17 Q. And the only -- Is the Robert Jones interest the
18 only uncommitted interest?

19 A. That's correct.

20 Q. Now in looking at title and attempting to get the
21 joinder of the Jones interest, did Nadel and Gussman have a
22 contract landman look at title and attempt to lease this
23 interest?

24 A. Yes.

25 Q. And you were unsuccessful in leasing the

1 interest?

2 A. Right. We've actually tried to lease it in-house
3 and have no success.

4 Q. When leasing was unsuccessful, did you send a
5 proposal letter to the Jones interest?

6 A. Yes, we did.

7 Q. And is that reflected on Exhibit 3?

8 A. Yes, that's Exhibit 3.

9 Q. And is Exhibit 4 the only response that you have
10 received from Mr. Jones?

11 A. Correct, correct.

12 Q. Have you dealt with Jones' interest before in
13 this area?

14 A. We have tried to lease him before in another well
15 we drilled in the immediate area and got the same -- almost
16 the exact same response as depicted on Exhibit 4, and we
17 did end up having to pool him.

18 Q. And Exhibit 4, which was a letter he sent to the
19 Division and copied me in the prior pooling case, did he
20 send a similar letter to the Division and to us?

21 A. I believe that's correct, yes.

22 Q. And this was what, two or three years ago, Mr.
23 Jolliffe?

24 A. Probably about a year -- I want to say a year and
25 a half ago.

1 Q. Okay. And so you've dealt with him before and
2 you've never been able to come to terms with him on leasing
3 his interest or getting him to join in the well?

4 A. No, not at all.

5 Q. In your opinion, has Nadel and Gussman made a
6 good faith effort to obtain the voluntary joinder of the
7 mineral interest owners in the well?

8 A. Yes.

9 Q. What is Exhibit 4 -- I mean 5?

10 A. Exhibit 5 is our AFE for the well. It's an
11 approximate 12,600-foot Morrow test with a dryhole cost of
12 \$1,886,379 and a completed well cost of \$931,356.

13 Q. Are these costs in line with the costs of other
14 wells drilled to this depth in this area of New Mexico?

15 A. Yes, yes, we've drilled approximately 17 to 18
16 wells in the immediate area and have a pretty good idea --
17 handle on these well costs.

18 Q. And those wells have been in 23 South, 28 East,
19 and 22 South, 28 East?

20 A. That's exactly right.

21 Q. So those wells were very close by?

22 A. Yes.

23 Q. Do you request that Nadel and Gussman be named
24 operator of the well?

25 A. Yes.

1 Q. And do you request the maximum cost-plus-200-
2 percent risk charge against the nonconsenting owner?

3 A. Yes.

4 Q. What overhead rates do you propose?

5 A. We propose drilling rates of \$7500 per month and
6 producing rates of \$750 a month.

7 Q. And are these rates equivalent or lower than
8 those charged by Nadel and Gussman and other operators in
9 this area for wells of this depth?

10 A. Yes.

11 Q. Do you request that the rates be adjusted under
12 the COPAS accounting procedure?

13 A. Yes.

14 Q. And was the party being pooled notified of this
15 hearing?

16 A. Yes, sir.

17 Q. And is that notice affidavit marked Exhibit 6?

18 A. Yes.

19 Q. Were Exhibits 1 through 6 prepared by you or
20 under your supervision, or compiled from company business
21 records?

22 A. Yes.

23 Q. And in your opinion is the granting of this
24 Application in the interests of conservation and the
25 prevention of waste?

1 A. Yes.

2 MR. BRUCE: Mr. Examiner, I'd move the admission
3 of Nadel and Gussman Exhibits 1 through 6.

4 EXAMINER BROOKS: One through 6 will be admitted.

5 MR. BRUCE: And I have no further questions of
6 the witness.

7 EXAMINATION

8 BY EXAMINER BROOKS:

9 Q. Okay, Mr. Larry Jones was the person notified,
10 and he says he inherited his interest.

11 Have you -- What is the status of the estate of
12 Robert Jones?

13 A. We haven't found anything in the county records
14 that depicts the inheritance of the estate or any details
15 about the estate.

16 Q. Have you undertaken any effort to determine who
17 the heirs may be?

18 A. Well, again there's really nothing filed in the
19 county records, and when we try to contact Mr. Jones he
20 sends these interesting letters back, not addressing
21 anything to do with oil and gas primarily.

22 So in answer to your question that's really, I
23 think, our only source of trying to identify the heirs, is
24 to try to communicate with them, and we've had no success.

25 EXAMINER BROOKS: I guess that's all my

1 questions.

2 MR. BRUCE: I have nothing further.

3 EXAMINER BROOKS: Very good.

4 Case Number 13,930 will be taken under
5 advisement.

6 (Thereupon, these proceedings were concluded at
7 9:12 a.m.)

8 * * *

9
10
11
12 I do hereby certify that the foregoing is
13 a complete record of the proceedings in
14 the Examiner hearing of Case No. 13930
15 heard by me on June 7 2007.
16 David K. Brooks Examiner
17 Oil Conservation Division
18
19
20
21
22
23
24
25

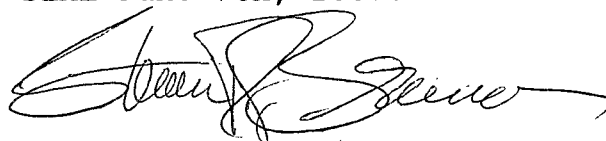
CERTIFICATE OF REPORTER

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 7th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010