

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

CASE NO. 13,992

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Jr., Technical Examiner
DAVID K. BROOKS, Jr., Legal Examiner

September 20th, 2007

Santa Fe, New Mexico

RECEIVED
2007 OCT 3 PM 1:52

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Technical Examiner, DAVID K. BROOKS, Jr., Legal Examiner, on Thursday, September 20th, 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.

* * *

I N D E X

September 20th, 2007
Examiner Hearing
CASE NO. 13,992

	PAGE
APPEARANCES	3
APPLICANT'S WITNESS:	
<u>D. BRIGGS DONALDSON</u> (Landman)	
Direct Examination by Mr. Bruce	4
Examination by Examiner Jones	11
Examination by Examiner Brooks	14
REPORTER'S CERTIFICATE	17

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	5	11
Exhibit 2	7	11
Exhibit 3	8	11
Exhibit 4	8	11
Exhibit 5	9	11
Exhibit 6	10	11
Exhibit 7	11	11

* * *

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
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 10:57 a.m.:

3 EXAMINER JONES: Okay, with that we'll call Case
4 Number 13,992, which is the Application of Purvis Operating
5 Company for compulsory pooling, Lea County, New Mexico.

6 Call for appearances.

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

9 EXAMINER JONES: Any other appearances?
10 Will the witness please stand to be sworn?

11 (Thereupon, the witnesses were sworn.)

12 D. BRIGGS DONALDSON,

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

15 DIRECT EXAMINATION

16 BY MR. BRUCE:

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

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

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

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

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

25 A. Yes, sir.

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

3 A. Yes, sir.

4 Q. And are you familiar with the land matters
5 involved in this case?

6 A. Yes, sir.

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

9 EXAMINER JONES: Mr. Donaldson is qualified as an
10 expert in petroleum land matters.

11 Q. (By Mr. Bruce) Mr. Donaldson, could you identify
12 Exhibit 1 and tell the Examiner what Purvis Operating
13 Company seeks in this case?

14 A. Yes, this is a dedication plat for our Lowe 1
15 well, located 554 and 554 in the northeast northeast, and
16 we have been -- we've owned this well and these leases
17 since the '80's, '87, '88, and it was producing from the
18 Devonian at that time. And a few years after that, after
19 we purchased it -- It was drilled by another company, then
20 we came uphole and perf'd the Wolfcamp and produced in that
21 from '88 -- November of '88 until the present, and it has
22 watered out.

23 And we perf'd every zone in the Wolfcamp area, or
24 in the Wolfcamp formation, that was possible. So we
25 thought -- when we left it in the '80s, left the Devonian,

1 it was producing about 15 barrels a day, but it had quite a
2 bit of water, about 1500 barrels of water that it was
3 producing. So we decided just before we plugged it, we'd
4 go give it a shot and see if we could get back down to the
5 Devonian, see if we can get back -- if it will do the 15
6 barrels a day, 15 to 20, whatever it was at that time, and
7 re-establish production there.

8 And that's -- In the '80's, we had seventy- -- 87
9 leases, and today we have over about 140-some-odd owners
10 now. So there's been some -- I took -- we did not -- we
11 don't have the -- we don't pay the royalty on it. The
12 purchaser -- the old purchaser did, so I got the Division
13 orders from them, and that's how I have mailed all the
14 letters and requirements to all these people. And there's
15 some I cannot find, and there are some that have not
16 replied.

17 Q. Okay, let's -- Before we move on to that, the
18 well is currently a Wolfcamp well, correct?

19 A. Yes, sir.

20 Q. And you intend to -- you ask to pool just the
21 Devonian formation?

22 A. Yes, sir.

23 Q. Now Exhibit 1 is an old plat filed with the
24 Division regarding the Devonian -- the Southwest Gladiola-
25 Devonian Pool. That pool is spaced on 80 acres; is that

1 correct?

2 A. Yes, sir.

3 Q. And interest ownership in that east half,
4 northeast, is common, correct?

5 A. Yes, sir.

6 Q. Okay. What does Exhibit 2 reflect?

7 A. Exhibit 2 reflects the owners that I got from the
8 Division orders and their respective interests.

9 Q. Okay, and so --

10 A. And that's a hundred percent also, it has working
11 interest in there also, just for your information.

12 Q. Okay, so over a hundred owners from a Division
13 order file, so this should be as current as anything
14 regarding this property?

15 A. Yes, sir.

16 Q. Of these hundred owners, have you -- you have
17 sought to have -- well, let's take a step back. A lot of
18 these are under leasehold -- under leases that either
19 terminated or had Pugh clauses in them, correct?

20 A. Yes, sir. Some had, some didn't. There was a
21 lot of wells, a lot of leases.

22 Q. And so what you were seeking to do as to the
23 royalty owners is, if they were -- the royalty owners in
24 the Wolfcamp, if they were unleased as to the Devonian,
25 you're asking either to join in or to ratify their leases

1 so that it would cover the Devonian?

2 A. Yes, sir.

3 Q. And looking at the Exhibit 2, most of these
4 parties have elected to ratify, rather than participate as
5 working --

6 A. Yes, sir.

7 Q. -- interest owners? A few of them --

8 A. Yeah.

9 Q. -- have agreed to participate?

10 A. Probably three to five, somewhere -- three or
11 four or five.

12 Q. What does Exhibit 3 reflect?

13 A. Exhibit 3 reflects the people that I have not
14 heard from or have not -- or have bad addresses for.

15 Q. Okay, so these are the people you seek to force
16 pool in the --

17 A. Yes, sir.

18 Q. -- Devonian formation?

19 What is Exhibit 4?

20 A. Exhibit 4 is the letter that I wrote July 3rd
21 explaining the sequence of events from the '80's until --
22 from the '70's to the present, and with an election to
23 either participate or not participate and ratify, or to do
24 neither.

25 Q. Okay. And this went out to everybody on Exhibit

1 2, correct?

2 A. Yes, sir.

3 Q. Other than Purvis, which obviously owns a working
4 interest?

5 A. Yes, sir.

6 Q. What is Exhibit 5?

7 A. Oh, and there's also -- maybe I could just say,
8 there's a second notice that I sent also in August of 2007,
9 just to make sure that -- I had a few changes and things.

10 Exhibit 5 now is the AFE that we sent along with
11 this letter to see if people wanted to participate in this
12 procedure.

13 Q. Okay. And in your opinion has Purvis made a good
14 faith effort to obtain the voluntary joinder in this re-
15 entry procedure?

16 A. Yes, sir, I believe so.

17 Q. Now as to this well cost, does this appear to be
18 in line with the cost of re-entries of wells in this depth,
19 in this part of Lea County?

20 A. Yes, sir, I believe so, there -- Yes, sir.

21 Q. And Purvis is the operator in the Wolfcamp, and
22 it would request that it be named operator in the Devonian?

23 A. Yes, sir.

24 Q. Do you request the maximum cost-plus-200-percent
25 risk charge against nonconsenting owners?

1 A. Yes, sir.

2 Q. And are those rates -- Oh, excuse me, what
3 overhead rates are proposed for this --

4 A. \$625 per month and \$6250 for drilling rates.

5 Q. And are these rates equivalent to those charged
6 by other operators in the Devonian formation?

7 A. Yes, sir.

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

10 A. Yes, sir, please.

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

13 A. Yes, sir.

14 Q. And that is reflected in your Exhibit 6; is that
15 correct?

16 A. Yes, sir.

17 Q. And there were only a couple of these that came
18 back unclaimed or bad address?

19 A. Yes, sir.

20 Q. And again, these addresses and these names came
21 from a current producing well and the Division order files
22 on that well?

23 A. Yes, sir.

24 Q. So those would be the best available addresses --

25 A. Yes, sir.

1 Q. -- for those people?

2 Mr. Examiner, Exhibit 7 is simply a publication
3 -- an affidavit of publication from the Hobbs newspaper.
4 We did publish notice as against all of these interest
5 owners listed on -- I think I notified everyone listed on
6 Exhibit 3, although there are only two or three bad
7 addresses.

8 Mr. Donaldson, were Exhibits 1 through 7 prepared
9 by you or under your supervision or compiled from company
10 business records?

11 A. Yes, sir.

12 Q. And in your opinion is the granting of this
13 Application in the interests of conservation and the
14 prevention of waste?

15 A. Yes, sir.

16 MR. BRUCE: Mr. Examiner, I'd move the admission
17 of Purvis Exhibits 1 through 7.

18 EXAMINER JONES: Okay, Exhibits 1 through 7 will
19 be admitted.

20 EXAMINATION

21 BY EXAMINER JONES:

22 Q. Mr. Donaldson, the --

23 A. Yes, sir.

24 Q. -- the cost AFE --

25 A. Yes, sir.

1 Q. -- the permanent cost will be less than the
2 temporary test cost. Is that because of some equipment
3 that's --

4 A. Yes, sir.

5 Q. -- that's common between the Wolfcamp and the
6 Devonian or --

7 A. Yes, sir. Well, there -- and I'm -- again, I'm
8 not the engineer that -- people are going to be drilling
9 it, but yeah, we'll have to have a pump in it. And so
10 we're actually going to try to see if we can actually get
11 there first. There's some plugs in there that we'll have
12 to go through and, you know, junk in the hole, there could
13 be problems that we might not be able to get to it --

14 Q. Right.

15 A. -- so if we are able to, then we'll have to put a
16 submersible pump and some other things that would allow us
17 to actually produce it with that much water and --

18 Q. Okay. The Devonian owners and the Wolfcamp
19 owners changed a little bit over the years, is that --

20 A. No, well, the owners is the same. It's just that
21 the -- what happened was, when they first took the leases,
22 some people only leased -- the first people that took the
23 leases that we purchased only took Wolfcamp on some people
24 and then only -- and then some people actually signed a
25 lease for all zones with a Pugh clause, and so it's kind of

1 different the way that this was done.

2 And then we went back after we -- and then after
3 that, they -- that was for the -- we had to take those for
4 the Wolfcamp, after the Devonian was -- were taken. So
5 there was three sets of leasing activity going on --

6 Q. Okay.

7 A. -- you know, it was Devonian, all rights, and
8 then -- so we had to go back and make sure that we had
9 them, so we took leases on Wolfcamp --

10 Q. Okay.

11 A. -- and so that's how that kind of changed the
12 scenario --

13 Q. Okay.

14 A. -- and I wasn't there then, so...

15 Q. And this is -- this Gladiola pool has an 80-acre
16 special pool --

17 MR. BRUCE: Yes, sir.

18 EXAMINER JONES: -- spacing rule --

19 MR. BRUCE: And I think it requires wells to be
20 within 150 feet of the center of a quarter quarter section.

21 Q. (By Examiner Jones) Okay, but we're okay there,
22 I guess.

23 A. Yes, sir. You know, like I say, it was a
24 Devonian well when we purchased it, and we just came
25 uphole, so -- and now we're just going to go back down to

1 see if we can re-establish production.

2 Q. What are you going to do with all that water?

3 A. Well, we have a disposal well not too far from
4 us. We own the Gladiola saltwater disposal system, and so
5 we'll be able to send it there. And it was already -- I
6 believe that's what the Wolfcamp water is going to right
7 now. See, that makes it a little economical. I don't know
8 if anybody would ever do it, if they didn't have this
9 disposal facility.

10 Q. Okay. There's a lot of Devonians that were
11 abandoned -- walked off from back in the '60's and '70's,
12 you know. The pumpers had oil all over the ground out
13 there, went off and left them --

14 A. Uh-huh.

15 Q. -- good producers, I guess. But the oil price
16 was two dollars a barrel. Changes --

17 A. Changes things, yeah. \$82 this morning.

18 EXAMINATION

19 BY EXAMINER BROOKS:

20 Q. Exhibit 2, you said that was taken from a
21 Division order?

22 A. Yes, sir.

23 Q. Now I think Mr. Jones asked about this, but I
24 didn't quite follow it. Are there different ownership
25 interests in the Devonian for the Wolfcamp?

1 A. No, sir, it's just -- the leases that were taken
2 were different. In other words, somebody took a lease and
3 they said, Well, we're only going to let you -- where are
4 you going --

5 Q. Okay, so --

6 A. -- so they took a Devonian lease.

7 Q. -- that's unleased interest in the Devonian?

8 A. No, sir, everything was leased at one time. It's
9 just that now that the Wolfcamp has watered out, we're --
10 need to ratify and revive these leases. And so I sent out
11 this questionnaire that this is what we want to do, and so
12 some of the people that owned those interests are --
13 haven't replied back --

14 Q. Yeah, but --

15 A. -- but everybody was leased at one time.

16 Q. -- but the leases have not necessarily been held
17 in force by the Wolfcamp production?

18 A. Not anymore, not as of three months ago.

19 Q. So a bunch of these people who are shown with an
20 R, they're royalty interest owners, but they may have --
21 unleased mineral interest owners in the Devonian?

22 A. As of -- Yes, sir, that could be true.

23 I have an attorney that was supposed to be
24 working. He was on vacation, and he got back and he's been
25 too busy to do a title opinion for me, and I'm going to use

1 that to actually finish this out. But this came before I
2 got all that done.

3 Q. Okay. Now the relationship between Exhibit 2 and
4 Exhibit 3, all the people on Exhibit 2 that are not shown
5 on Exhibit 3 are signed up; is that --

6 A. Yes, sir, they have signed a letter of intent to
7 ratify and revive the lease.

8 Q. Okay. And the people on Exhibit 3 are the ones
9 that have not signed up?

10 A. Yes, sir, either bad addresses or no -- nobody's
11 called or written or anything.

12 Q. Okay, and then you included them on all -- I
13 checked that they seemed to all be included on the legal
14 notice. You included them on the legal notice whether or
15 not you got back a return receipt?

16 A. Yes, sir.

17 EXAMINER BROOKS: Okay. I think that's all my
18 questions.

19 EXAMINER JONES: Okay, thanks --

20 THE WITNESS: Thank you.

21 EXAMINER JONES: -- thanks, Mr. Bruce.

22 Let's take Case 13,992 under advisement.

23 (Thereupon, these proceedings were concluded at
24 11:13 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, CCR
(505) 989-9317, 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 September 25th, 2007.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2010