

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. 14,019

APPLICATION OF PRO NM ENERGY, INC., FOR)
COMPULSORY POOLING, SAN JUAN COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

November 1st, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Hearing Examiner, on Thursday, November 1st, 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

November 1st, 2007
Examiner Hearing
CASE NO. 14,019

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's

Identified

Admitted

Exhibit 1

3

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Exhibit 2

5

5

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 8:38 a.m.:

3 EXAMINER JONES: And let's call Case Number
4 14,019, Application of Pro New Mexico Energy, Incorporated,
5 for compulsory pooling, San Juan County, New Mexico.

6 Call for appearances.

7 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
8 the Santa Fe law firm of Kellahin and Kellahin, appearing
9 this morning on behalf of the Applicant.

10 We're presenting this case by affidavit, Mr.
11 Examiner.

12 EXAMINER JONES: Okay, any other appearances?

13 MR. KELLAHIN: Mr. Examiner, you have before you
14 what is marked as Exhibit Number 1. This is an affidavit
15 of Jolene Dicks, who's one of the -- is the director of
16 operations for Pro New Mexico. She's prepared this
17 affidavit with my assistance, pursuant to Division Rules.

18 To aid you in a quick understanding of where
19 we're going with this Application, there are three yellow
20 tabs on the side of your copy of the exhibit. If you'll
21 turn to the first yellow tab you're going to find a section
22 outline.

23 This spacing unit is a standup, east-half,
24 Section 18 unit. The two wells have been drilled but are
25 awaiting completion. The first well is up there in tract

1 1.

2 The second well is down in the southeast quarter,
3 and that location is in unit I, which would be the
4 northeast of the southeast of the section. Both those
5 wells, in fact, have been drilled.

6 The tracts are numbered 1 through 4.

7 Tract 3, which is the west half of the southeast
8 quarter, is the only tract that has not been consolidated
9 by voluntary agreement. That tract is held by Chevron.

10 Over the course of some two years, Pro New Mexico
11 has attempted to get Chevron to participate in this well.
12 And as you look through the documentation, you're going to
13 come to the second yellow tab in the exhibit set, and it
14 starts off with -- the second entry is a copy of an e-mail
15 from Pro New Mexico to Chevron confirming a conversation
16 that Chevron desires to be pooled. And the top entry on
17 that sheet is the confirmation by e-mail from Chevron that
18 Pro New Mexico's understanding of their desire to be pooled
19 is, in fact, correct.

20 The last tab is a way for you to see the well
21 locations. That yellow tab is between the C-102s for each
22 of the two wells, so just ahead of that is the other C-102.
23 We're seeking to have this interest pooled at this time so
24 that Pro New Mexico can go ahead and complete these two
25 wells. They've attested to the anticipated final costs of

AFFIDAVIT \$
SAYS 3000/mo
5

1 the well, and pursuant to Division practice they're
2 requesting overhead rates of \$4000 a month drilling and
3 \$600 a month operating.

4 We would request that the monthly operating
5 charges be escalated pursuant to the COPAS provisions
6 adopted by the Division in your pooling rules.

7 For your information, there is an AFE attached in
8 the exhibit sets. The two wells -- Each of the wells costs
9 approximately \$280,000.

10 The final exhibit is Exhibit Number 2, and that's
11 my affidavit of notification to Chevron of the hearing in
12 this case. It includes my certificate, the notice letter
13 itself. We also send them the Application. The green
14 return receipt card is there. And they've had their notice
15 and have chosen not to appear.

16 With that explanation, Mr. Examiner, we would
17 request that you admit Exhibits 1 and 2 and take this case
18 under advisement.

19 EXAMINER JONES: Exhibits 1 and 2 will be
20 admitted.

21 The South Gallegos-Fruitland Coal-PC, is that --
22 that's 160 spacing, but -- I guess what --

23 MR. KELLAHIN: It's 320-acre spacing. These are
24 both coal gas wells.

25 EXAMINER JONES: Okay. So there's nothing but

1 320 coal gas here?

2 MR. KELLAHIN: In looking at the well files, you
3 may see some indication of PC --

4 EXAMINER JONES: Yes.

5 MR. KELLAHIN: -- but the operators intended to
6 drop that.

7 EXAMINER JONES: Oh.

8 MR. KELLAHIN: So each of these two wells will be
9 in the coal gas, with the parent well and the infill well
10 in the appropriate location.

11 EXAMINER JONES: All right, thank you very much.
12 We'll take Case 14,019 under advisement.

13 (Thereupon, these proceedings were concluded at
14 8:44 a.m.)

15 * * *

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17
18 I do hereby certify that the foregoing is
19 a complete record of the proceedings in
20 the Examiner hearing of Case No. _____
heard by me on _____

21 _____, Examiner
Oil Conservation Division

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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 November 1st, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010