

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 PARALLEL PETROLEUM)
CORPORATION FOR COMPULSORY POOLING,)
CHAVES COUNTY, NEW MEXICO)

CASE NO. 14,042

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner
DAVID K. BROOKS, Jr., Legal Examiner

December 13th, 2007

Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Technical Examiner, DAVID K. BROOKS, Jr., Legal Examiner, on Thursday, December 13th, 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

December 13th, 2007
 Examiner Hearing
 CASE NO. 14,042

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	4	6
Exhibit 2	5	6

* * *

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:

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 8:48 a.m.:

3 EXAMINER EZEANYIM: And now we call Case Number
4 14,042. This is the Application of Parallel Petroleum
5 Corporation for compulsory pooling, Chaves County, New
6 Mexico.

7 Call for appearances.

8 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
9 the Santa Fe law firm of Kellahin and Kellahin, appearing
10 this morning on behalf of the Applicant. Again, we're
11 requesting your permission to submit this case by
12 affidavit.

13 EXAMINER EZEANYIM: You have no witnesses?

14 MR. KELLAHIN: No, sir.

15 EXAMINER EZEANYIM: Any other appearances,
16 please?

17 Okay, you can proceed.

18 MR. KELLAHIN: The basis for submitting this by
19 affidavit, Mr. Examiner, is that Parallel on prior
20 occasions has dealt with what I used to know as the Highway
21 Department -- it's now the New Mexico Department of
22 Transportation -- and as we've seen before you on prior
23 occasions, they have an interest in the minerals with
24 regards to surface easements the Highway Department had
25 obtained historically for use of the surface.

1 Unfortunately, however that was done, they also
2 ended up with a fractional share of the minerals. There is
3 no procedure in place at the Department of Transportation
4 where they feel they have the rules or the authority to
5 execute a voluntary lease.

6 So the custom and practice before the Division is
7 to pool the agency's interest in those odd little tracts so
8 we can complete the 100-percent commitment of the
9 properties to the wells, and that's the situation here.

10 And we've attached to the affidavit by Mr. Myers
11 his letter contacts. They started back in May of this year
12 with the Highway Department, Department of Transportation.
13 He's had conversations with those people. We always get to
14 the same point, they say they have no authority and they
15 decline to do anything further.

16 We've sent them notice of the hearing today which
17 indicates that they received the notice.

18 Attached is the AFE and the plats with regard to
19 drilling the well.

20 EXAMINER EZEANYIM: Do you have the affidavit
21 with you?

22 MR. KELLAHIN: I'm sorry.

23 The documents are all stapled together as a
24 single presentation, although Exhibit 1 contains the
25 affidavit and the attachments. And then as you continue

1 through the package of stapled documents, Exhibit Number 2
2 is my certificate of notice to the Department of
3 Transportation.

4 Mr. Myers attests to the accuracy of the AFE.
5 He's saying it's current and reasonable. There's a plat
6 showing the well location and how it's to be drilled. That
7 plat has been approved by the Division. Then we have their
8 permit, an API number issued, and they're ready to proceed
9 with the drilling of the well.

10 EXAMINER EZEANYIM: What API Number? Is the API
11 number here?

12 MR. KELLAHIN: I'm looking.

13 EXAMINER EZEANYIM: It's here, oh, never mind.
14 Yeah, it's here, don't worry about it.

15 EXAMINER BROOKS: Department of Transportation is
16 the only non-adjointing party?

17 MR. KELLAHIN: Yes, sir.

18 EXAMINER EZEANYIM: Did you say that it was in
19 the APD?

20 MR. KELLAHIN: Yes, the docket shows that there's
21 an approved API number.

22 EXAMINER EZEANYIM: Yeah. Go ahead.

23 MR. KELLAHIN: That's all I have, Mr. Examiner.

24 We would move the introduction of Exhibits 1 and
25 2.

1 EXAMINER EZEANYIM: Exhibits 1 and 2 will be
2 admitted.

3 Do you have any questions for him?

4 EXAMINER BROOKS: No, no.

5 EXAMINER EZEANYIM: In this case, you are going
6 to locate everybody?

7 MR. KELLAHIN: Yes.

8 EXAMINER EZEANYIM: Yeah, okay. And therefore
9 there is no need for you to do -- just prepare
10 advertisement?

11 MR. KELLAHIN: I'm sorry, I did not understand.

12 EXAMINER EZEANYIM: I say, you don't have to do -
13 - just prepare advertisement --

14 MR. KELLAHIN: No, not in this case.

15 EXAMINER EZEANYIM: What are your overhead rates
16 here?

17 MR. KELLAHIN: It's \$5000 a month drilling and
18 \$500 producing.

19 EXAMINER EZEANYIM: And these are horizontal
20 wells?

21 MR. KELLAHIN: Yes, sir.

22 EXAMINER EZEANYIM: I understand that the -- both
23 the penetration point and the -- will be standard on the
24 position area?

25 MR. KELLAHIN: Yes, sir, that's the approval.

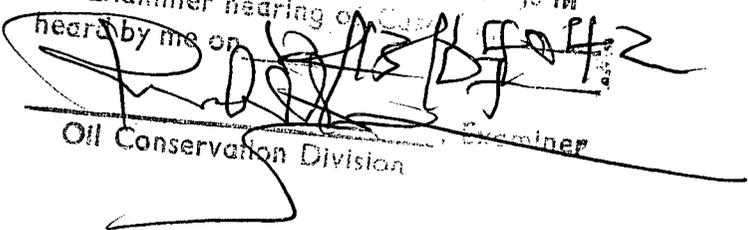
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EXAMINER EZEANYIM: At this point Case Number
14,042 will be taken under advisement.

MR. KELLAHIN: Thank you, Mr. Examiner.

(Thereupon, these proceedings were concluded at
8:53 a.m.)

* * *

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14,042
heard by me on 12/13/42

Oil Conservation Division, Examiner

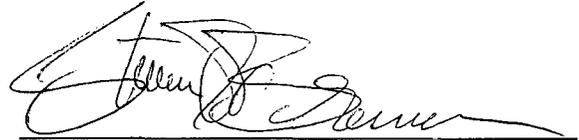
CERTIFICATE OF REPORTER

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 February 28th, 2008.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2010