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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF SYNERGY OPERATING, LLC CASE NO. 14174
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Legal Examiner
 TERRY G. WARNELL, Technical Examiner

August 21, 2008

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico
Oil Conservation Division, DAVID K. BROOKS, Legal Examiner,
TERRY G. WARNELL, Technical Examiner, on Thursday, August 21,
2008, at the New Mexico Energy, Minerals and Natural Resources
Department, 1220 South Saint Francis Drive, Room 102, Santa Fe,
New Mexico.

REPORTED BY: JOYCE D. CALVERT, P-03
 Paul Baca Court Reporters
 500 Fourth Street, NW, Suite 105
 Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR THE APPLICANT:

James G. Bruce, Esq.
ATTORNEY AT LAW
P.O. Box 1056
Santa Fe, New Mexico 87504

| | PAGE |
|-------------------------------|------|
| EXHIBITS 1 THROUGH 3 ADMITTED | 5 |
| REPORTER'S CERTIFICATE | 6 |

1 MR. BROOKS: Let's call Case No. 14174, Application
2 of Synergy Operating, LLC for Compulsory Pooling, San Juan,
3 New Mexico.

4 Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce from Santa Fe,
6 representing the applicant. I'm submitting this case by
7 affidavit.

8 MR. BROOKS: All right.

9 MR. BRUCE: Mr. Examiner, I've handed you three
10 exhibits. Exhibit 1 is the verified statement of the landman.
11 Synergy is speaking to force-pool the E/2 of Section 7, 29
12 North, 13 West, in San Juan County to form a 320-acre gas
13 spacing and proration unit in the Basin Fruitland Coal gas
14 pool.

15 If you leaf through to Attachment A on Exhibit 1, you
16 will see some land plats. The well is being drilled from a
17 surface location in the SE/4, NW/4 of Section 7 to an orthodox
18 bottom hole location in the SW/4, NE/4 of Section 7. If you'd
19 move on down, Attachment B is a two-page attachment showing the
20 interest owners in the well. The first page concerns interest
21 owners who have leased their interests, and the second page you
22 will see lists interest owners. Actually, this covers the
23 entire section, but you'll see there's a listing of interest
24 owners in the E/2 who have not leased their interest. Together
25 with some unlocatable owners, you'll see that highlighted in

1 yellow at the bottom.

2 Attachment C is correspondence to the various
3 interest owners who are locatable. And then Attachment D is an
4 AFE for the well. It has a completed hole cost of \$650,000.
5 It seems odd to state that cost after you're talking about
6 \$4 million wells. Synergy Operating, the applicant, will also
7 be the operator, and overhead rates are 5,000 per month for a
8 drilling well and \$500 per month for a producing well.

9 Submitted as Exhibit 2 is my Affidavit of Notice to
10 all of the locatable people. If you go to the -- everyone
11 received notice, Mr. Examiner. If you go to the last two pages
12 of Exhibit 2, the last page was to Mary Ann -- notice sent to
13 Mary Ann Parker. She had not yet picked up this certified mail
14 as of two days ago. And I had Mr. Hegarty address this in his
15 affidavit.

16 Subparagraph 2-F notes that she had not yet picked up
17 her certified mail, but that they have been -- he did mail --
18 the address we have is a last known address from a recently
19 conveyed trust interest which went to Ms. Parker and her
20 siblings. He has been in touch with John Pruitt, her sibling.
21 And as far as we know, she knows about the well proposal.

22 What I would subject is whenever I get the letter
23 back, I can supplement the record. I don't know if I'll get it
24 back. Sometimes the green cards come back weeks and weeks
25 later.

1 MR. BROOKS: Right.

2 MR. BRUCE: Apparently the most recent address for
3 her in the county records, that's where the mail was sent, and
4 it had simply not been picked up.

5 And then there were some unlocatable owners, and
6 Exhibit 3 is the affidavit of publication from the Farmington
7 newspaper. I move the admission of Exhibits 1 through 3.

8 MR. BROOKS: Exhibits 1 through 3 are admitted.

9 [Applicant's Exhibits 1 through 3 admitted into
10 evidence.]

11 MR. BRUCE: I have nothing further in this matter.

12 MR. BROOKS: Okay. What was the depth interval for
13 polling in this?

14 MR. BRUCE: It's surface to Basin Fruitland Coal.

15 MR. BROOKS: 320 acres?

16 MR. BRUCE: Of course, it is only 320-acre units,
17 which is only the Basin Fruitland Coal.

18 MR. BROOKS: Right. Now, you've -- this Mary Ann
19 Parker, you've confirmed that was the correct address?

20 MR. BRUCE: That was the correct address through a
21 recent conveyance and conversations with her brother.

22 MR. BROOKS: Okay. Case No. 14174 will be taken
23 under advisement. If I didn't say it, Exhibits 1 through 3
24 will be admitted.

25 * * *

I certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 14174 heard by me on 8-21-08
David K. Brock, Examiner

Paul Baca Professional Court Reporters
Division

500 4th Street, NW, Suite 105, Albuquerque, NM 87102

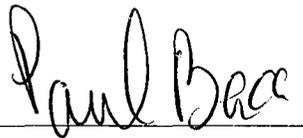
1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO)

3
4 I, JOYCE D. CALVERT, a New Mexico Provisional
5 Reporter, working under the direction and direct supervision of
6 Paul Baca, New Mexico CCR License Number 112, hereby certify
7 that I reported the attached proceedings; that pages numbered
8 1-5 inclusive, are a true and correct transcript of my
9 stenographic notes. On the date I reported these proceedings,
10 I was the holder of Provisional License Number P-03.

11 Dated at Albuquerque, New Mexico, 21st day of
12 August, 2008.

13
14 

15 Joyce D. Calvert
16 Provisional License #P-03
17 License Expires: 7/31/09

18
19 

20 Paul Baca, RPR
21 Certified Court Reporter #112
22 License Expires: 12/31/08
23
24
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