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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:

CASE NO. 14171

APPLICATION OF SAMSON RESOURCES COMPANY  
FOR COMPULSORY POOLING, LEA 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

1 MR. BROOKS: Let's call Case No. 14171, Application  
2 of Samson Resources Company for Compulsory Pooling, Lea County,  
3 New Mexico.

4 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
5 representing the applicant. I have one witness.

6 MR. BROOKS: Would the witness please identify  
7 himself?

8 MR. LAND: Thomas Land, Midland, Texas.

9 MR. BROOKS: Swear the witness.

10 THOMAS LAND

11 after having been first duly sworn under oath,  
12 was questioned and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. BRUCE:

15 Q. Would you please state your name for the record.

16 A. Thomas Land.

17 Q. Where do you reside?

18 A. Midland, Texas.

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

20 A. I work for Samson Resources Company as a senior  
21 district landman.

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

24 A. Yes, sir.

25 Q. And were your credentials as an expert landman

1 accepted as a matter of record?

2 A. Yes, sir.

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

5 A. Yes, sir.

6 MR. BRUCE: Mr. Examiner, I tender Mr. Land as an  
7 expert petroleum landman.

8 MR. BROOKS: So qualified.

9 Q. (By Mr. Bruce): Mr. Land, could you identify  
10 Exhibit 1 and describe what Samson seeks in this case?

11 A. Exhibit 1 is a land plat showing the W/2 of  
12 Section 33, township 20 south, Range 26 East.

13 Q. And what do you seek to pool?

14 A. Right now we seek to pool from -- basically, on  
15 that W/2 from the base of the Morrow -- I mean, to the surface  
16 to the base of the Morrow. It's a 320-acre pool unit.

17 Q. Now, you're seeking to force-pool -- well units  
18 spaced on 320 acres, but does Samson -- are there undivided  
19 interest in the well site location?

20 A. Yes, sir.

21 Q. So you are also seeking to force-pool the SW/4  
22 for 160-acre units and the SW/SW for 40-acre units?

23 A. Yes, sir.

24 Q. Okay. One other thing to the map -- could you  
25 identify the well name and the well location?

1           A. The well name is Osudo 33 State Com No. 2, and  
2 it's an orthodox location at 660 from the south, 660 from the  
3 west. It's located in the SW/SW.

4           Q. Now, this plat also has the Osudo 33 State No. 1.  
5 Is that well operated by Samson?

6           A. Yes, sir.

7           Q. And has that well been drilled?

8           A. Yes, sir.

9           Q. And that also, of course, has a W/2 unit; does it  
10 not?

11          A. Yes, sir.

12          Q. And who are the working interest owners in the  
13 well unit and who do you seek to force-pool?

14          A. Samson is the only working interest owner. The  
15 other entity in there is OXY. They own 25 percent of the  
16 mineral estate, and basically they'll have twelve and a half  
17 percent of the gas unit.

18          Q. In which tract do they own 25 percent of the  
19 mineral interest?

20          A. SW/4.

21          Q. So for a twelve and a half percent working  
22 interest in a 320-acre unit?

23          A. Yes, sir.

24          Q. In the smaller well units, they would own that  
25 undivided 25 percent?

1 A. Yes, sir.

2 Q. And you said that OXY's interest is an unleased  
3 mineral interest?

4 A. Yes, sir.

5 Q. Now, before we move on to your Exhibit 2 where  
6 you can briefly discuss your contacts with OXY, have you met  
7 personally with OXY's landman?

8 A. Yes, sir.

9 Q. And what did they tell you? Samson has drilled a  
10 number of wells in this general area; has it not?

11 A. Yes, sir.

12 Q. And has force-pooled OXY a number of times?

13 A. Yes, sir.

14 Q. What did OXY tell you with respect to drilling  
15 wells out here?

16 A. Well, their land representative, Robby Abraham,  
17 had basically said, "It's just business. There's no hard  
18 feelings. Force-pool us."

19 They're not going to participate with anything else.  
20 They don't have the budget.

21 Q. So they're not doing anything? They don't oppose  
22 the case? They just want to be force-pooled?

23 A. Yeah. That's the only way that -- Robby told me  
24 it's the only way their management would do anything is if  
25 they're force-pooled.

1 Q. Well, let's move on. What does Exhibit 2  
2 contain?

3 A. Exhibit 2 is the notice letter for the No. 2 well  
4 as well as receipts and also e-mail correspondence with Robby.

5 Q. Now, I notice in here -- as you know, Mr. Land,  
6 if an unleased mineral owner is force-pooled, they always keep  
7 a 1/8th royalty interest.

8 A. Yes, sir.

9 Q. But you've made an offer to give them a better  
10 deal than that, and they still won't take it?

11 A. It's hard -- it's really hard to define, but the  
12 way Mr. Abraham told me is they just will not do anything.  
13 They won't accept anything. We tried to work -- this is the  
14 second well. The first well we tried to do the same thing with  
15 them.

16 Q. You tried to give them a higher net revenue  
17 interest and they won't take it?

18 A. Right.

19 Q. So. Based on your discussions with them, has  
20 Samson made a good-faith effort to obtain the voluntary joinder  
21 of OXY in the proposed well?

22 A. Yes, sir.

23 Q. What is Exhibit 3?

24 A. Exhibit 3 is an AFE.

25 Q. And what are the -- what is the cost of the well?

1           A. The cost -- the dry hole cost drilling is about  
2 \$2.9 million, and then completion costs are estimated right at  
3 8- to 900,000.

4           Q. And are these costs in line with the cost of  
5 other wells drilled in this area of New Mexico?

6           A. Yes, sir.

7           Q. And again, you've drilled several wells out here  
8 and Samson has a fairly good handle on the well costs?

9           A. Yes, sir.

10          Q. Do you request that Samson Resources Company be  
11 named operator of the well?

12          A. Yes, sir.

13          Q. What are the overhead rates that you propose?

14          A. The drilling rates are the same as in the  
15 No. 1 -- we want to be consistent -- with 7800 a month for  
16 drilling and \$1,000 a month for production.

17          Q. And are these rates equivalent to those charged  
18 by Samson and other operators in this area for wells of this  
19 depth?

20          A. Yes, sir.

21          Q. And was OXY notified of this hearing?

22          A. Yes, sir.

23          Q. And is that reflected in Exhibit 4?

24          A. Yes, sir.

25          Q. Were Exhibits 1 through 4 prepared by you or

1 compiled from company records?

2 A. Yes, sir.

3 Q. And in your opinion, is the granting of this  
4 application in the interest of conservation and prevention of  
5 waste?

6 A. Yes, sir.

7 MR. BRUCE: Mr. Examiner, I move the admission of  
8 Exhibits 1 through 4.

9 MR. BROOKS: Exhibits 1 through 4 are admitted.

10 [Applicant's Exhibits 1 through 4 admitted into  
11 evidence.]

12 MR. BRUCE: Just one thing: I don't know if -- as  
13 Mr. Land testified, Mr. Examiner, they've drilled a number of  
14 wells in this area. I did not put any -- this is kind of an  
15 odd area, the immediately adjoining Morrow pool is the North  
16 Osudo pool which is based on 640 acres. But its 640-acre  
17 spacing is limited to the defined boundaries of the pool.

18 MR. BROOKS: I think I remember when that was done.

19 MR. BRUCE: And so although it immediately adjoins  
20 the North Osudo-Morrow, it's 320-acre spacing. I have no clue  
21 what pool to put down for that.

22 MR. BROOKS: Okay.

23 MR. BRUCE: Because the other nearest Morrow pool is  
24 more than a mile away.

25 MR. BROOKS: Okay.

1 Q. (By Mr. Bruce): One other thing, Mr. Land: Do  
2 you have a deadline on commencing this well?

3 A. That's what I was going to mention. We've got  
4 drilling contract with McVay Rig No. 10. And we're having some  
5 problems on some BLM leases as far as the surface locations  
6 with them and everything. We're starting -- this one location  
7 was set up to about third or fourth down the line. Now it's  
8 moved up.

9 So basically, if we could expedite this pooling, this  
10 compulsory pooling order, because the nearest is probably --  
11 the soonest would be either September the 25th or November the  
12 7th that I would have to move a rig over there and drill there  
13 while we're working out stuff with the lease on the BLM  
14 program.

15 So we had it lined up, but our surface ran into some  
16 problems with the environmental -- lizards, sand dunes,  
17 ravens -- and we had to move a couple of locations. And we've  
18 got another NSL after that we have to work out, too. If you  
19 would take that into consideration, we'd appreciate it.

20 MR. BROOKS: Okay.

21 MR. BRUCE: And I have no further questions.

22 MR. BROOKS: And you're tendering the exhibits?

23 MR. BRUCE: I move the admission of Exhibits 1  
24 through 4, please.

25 MR. BROOKS: Exhibits 1 through 4 are admitted.

## EXAMINATION

1  
2 BY MR. BROOKS:

3 Q. Okay. Samson Resources Company is the applicant  
4 and is that also going to be the operator?

5 A. Yes, sir.

6 Q. And this is the W/2 of Section 33, 20 South, 36  
7 East?

8 A. Yes, sir.

9 Q. From the surface to the base of the Morrow in the  
10 W/2, 320, SW/4 for 160 acres, SW/4 of the SW/4 for 40 acres?

11 A. Yes, sir.

12 Q. And what overhead rate are you asking for?

13 A. We're staying at 7800 a month for drilling and a  
14 \$1,000 a month for production, and that's consistent with the  
15 first order on the No. 1 well.

16 Q. So it's 7800 for drilling and 1,000 for -- okay.  
17 Now, you said the No. 1 well. Where is that located?

18 A. It's up in the NW/4.

19 Q. So it's on the same unit?

20 A. Yes, sir.

21 Q. And was this force-pooled?

22 A. Yes, sir.

23 Q. Do you have the case number?

24 MR. BRUCE: I can get it for you.

25 Q. (By Mr. Brooks): Because what we normally would

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do is there will be an amendment where it's a previously force-pooled unit.

MR. BRUCE: It was -- I think it was an order from about six months ago.

Q. (By Mr. Brooks): Okay. OXY is the only pooled party?

A. Yes, sir.

MR. BROOKS: I believe that's all.

MR. WARNELL: No questions.

MR. BROOKS: Case No. 14171 will be taken under advisement.

\* \* \*

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 \_\_\_\_\_  
\_\_\_\_\_, Examiner  
Oil Conservation Division

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**REPORTER'S CERTIFICATE**

I, JOYCE D. CALVERT, Provisional Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this proceeding.

DATED this 21st of August, 2008.



JOYCE D. CALVERT  
New Mexico P-03  
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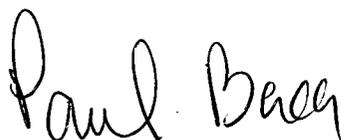
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2 COUNTY OF BERNALILLO )

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  
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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.

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