

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4

COPY

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

CASE NO: 14,099

8 APPLICATION OF RSC RESOURCES  
9 LIMITED PARTNERSHIP FOR THE  
10 APPROVAL OF A NON-STANDARD OIL  
11 SPACING AND PRORATION UNIT AND  
12 FOR COMPULSORY POOLING, EDDY COUNTY,  
13 NEW MEXICO

14 REPORTER'S TRANSCRIPT OF PROCEEDINGS

15 EXAMINER HEARING

16 BEFORE: TERRY WARNELL: Hearing Examiner  
17 CAROL LEACH: Legal Counsel for the Division  
18 JAMES BRUCE: Legal Counsel for Applicants

19 July 26, 2008

20 Santa Fe, New Mexico

21 This matter came for hearing before the New Mexico  
22 Oil Conservation Division, Terry Warnell, Hearing  
23 Examiner, on July 24, 2008, at the New Mexico Energy,  
24 Minerals and Natural Resources Department, 1220 South  
25 St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: PEGGY A. SEDILLO, NM CCR NO. 88  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, New Mexico 87102

1 HEARING EXAMINER: The next case is Case 14,099,  
2 a continued and readvertised case. Application for RSC  
3 Resources Limited Partnership for the Approval of a  
4 Non-Standard Oil Spacing and Proration Unit and Compulsory  
5 Pooling, Eddy County, New Mexico.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe  
7 representing the Applicant, and again, submitting this  
8 case by affidavit.

9 Mr. Examiner, since -- I forget when you started  
10 hearing the cases, fairly recently -- I would just point  
11 out that this case involves the force pooling of a  
12 horizontal well.

13 And of course, under Division rules, Rule 11-1,  
14 you can form a project area for horizontal wells, but the  
15 usual Division counsel has determined that if you have to  
16 force pool, a project area does not equal a well unit  
17 under the Forced Pooling Statute, and therefore, he has  
18 required us to -- and that is Mr. Brooks -- required us to  
19 obtain a non-standard unit under which the pool --

20 The pooling statute does allow for pooling of a  
21 non-standard unit. So he has required us to, when we are  
22 seeking forced pooling of the horizontal wells -- and this  
23 applies primarily to the oil wells -- to seek a  
24 non-standard unit in order to force pool everyone, which  
25 even though it's a standard project area, it's a

1 non-standard well unit.

2 HEARING EXAMINER: I see.

3 MR. BRUCE: Mr. Examiner, I have handed you  
4 several exhibits.

5 Exhibit 1 is the statement of the landman, and  
6 there is only -- the applicant is seeking to pool  
7 essentially the Wolfcamp formation under the south half  
8 north half equivalent of Section 19, 16 South, 29 East,  
9 for a 145.53 acre oil spacing proration unit for a  
10 horizontal Wolfcamp test.

11 The only party being pooled is Chaparral Energy,  
12 LLC. There was some confusion as to the title whether the  
13 interest was owned by Chaparral Oil, LLC, or Chaparral  
14 Energy, LLC.

15 So I did list them originally, and I just found  
16 out late yesterday that Chaparral Oil, LLC had merged into  
17 Chaparral Energy, LLC, and therefore, Chaparral Energy,  
18 LLC is the only party being force pooled.

19 They were related corporations at the same  
20 address, so the net effect is minimal. Attached as  
21 Exhibit A is a land plat showing the unit to be pooled  
22 comprised of several tracts of land in Section 19.

23 The next page shows the offset lessees and  
24 operators. Again, Mr. Brooks has required us that when we  
25 are forming these non-standard units for compulsory

1 pooling purposes, to notify the offsets.

2 And this Page 2 lists the offsets -- Or he's  
3 required us to notify the offsets if the offsets are  
4 different than the applicant.

5 Exhibit B is a fat package of letters, e-mails,  
6 contra-proposals showing that the Applicant has been in  
7 touch with Chaparral Energy for about six months now,  
8 even though if you run through all of this correspondence,  
9 you will see statements that Chaparral Energy has agreed  
10 to execute a term assignment and has failed to do so over  
11 the last few months.

12 And so, the Applicant wants to get the well  
13 drilled, and therefore, is seeking pooling. And if they  
14 do come to terms, we will of course let the Division know.

15 Exhibit C to the affidavit is the authorization  
16 for expenditure for this well. Dry well costs of \$1.9  
17 million, and completed well costs of \$3.3 million.

18 Exhibit 2 is the Affidavit of Randy Cate, who's  
19 an engineer and also the owner of the applicant.

20 Again, because of the non-standard unit, the  
21 Division has two things that it has required us to show.  
22 The well bore is potentially prospective in all of the  
23 quarter-quarter sections comprising the well unit.

24 It has also allowed us to do this by affidavit  
25 rather than bringing an engineer or geologist in. And in

1 this case, as you can see, there are some land plats, type  
2 logs, production plats, and the directional drilling  
3 program for the well.

4 And this affidavit does state that they view all  
5 of the quarter-quarter sections in the well unit as being  
6 prospective.

7 And also, as you can see, this area by one of  
8 the attachments, the production plat, this is not a  
9 heavily drilled area, but there are quite a few horizontal  
10 areas in this area at this point for the Wolf -- It hasn't  
11 been heavily drilled for the Wolfcamp until these  
12 horizontal wells were drilled, and there are quite a few  
13 of them in this immediate area.

14 Exhibits 3 and 4 are Affidavits of Notice.  
15 Exhibit 3 is simply the Notice to Chaparral Energy, the  
16 party being pooled. And Exhibit 4 is the Notice of  
17 Non-Standard Unit given to all of the offset lessees or  
18 operators.

19 Everyone did receive actual notice and so there  
20 is no Affidavit of Publication.

21 And with that, I would move the admission of  
22 Exhibits 1 through 4.

23 HEARING EXAMINER: Exhibits 1 through 4 are  
24 accepted. Any questions, Ms. Leach?

25 MS. LEACH: No. Thank you.

1 HEARING EXAMINER: Once again, Mr. Bruce, it  
2 looks pretty straightforward. I did have a question about  
3 the lateral extent, but I think I saw on the last of your  
4 Exhibit 2, that last page there, it shows the point of  
5 entry. And I'm assuming that's point of entry into the  
6 Wolfcamp formation?

7 MR. BRUCE: Into the Wolfcamp, yes, sir.

8 HEARING EXAMINER: Okay.

9 MR. BRUCE: You'll notice that it does have an  
10 unorthodox service location.

11 HEARING EXAMINER: Yes. Okay. I have no  
12 further questions, so we will take Case No. 14,099 under  
13 advisement.

14 (Whereupon, the proceedings concluded.)

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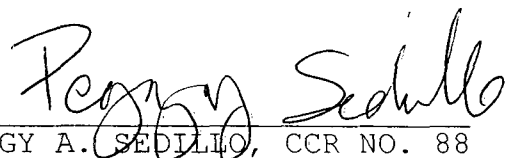
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1 STATE OF NEW MEXICO )  
 2 COUNTY OF SANTA FE ) ss.  
 3 )  
 4 )

5 REPORTER'S CERTIFICATE

6  
 7 I, PEGGY A. SEDILLO, Certified Court  
 8 Reporter of the firm Paul Baca Professional  
 9 Court Reporters, do hereby certify that the  
 10 foregoing transcript is a complete and  
 11 accurate record of said proceedings as the  
 12 same were recorded by me or under my  
 13 supervision.

14 Dated at Santa Fe, New Mexico this 5th  
 15 day of August, 2008.  
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 20 PEGGY A. SEDILLO, CCR NO. 88  
 21 License Expires 12/31/08  
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