

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

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

ORIGINAL

CASE NO. 14263

8 APPLICATION OF LYNX PETROLEUM  
9 CONSULTANTS, INC. FOR COMPULSORY  
10 POOLING, EDDY COUNTY, NEW MEXICO  
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REPORTER'S TRANSCRIPT OF PROCEEDINGS

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EXAMINER HEARING

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January 8, 2009  
Santa Fe, New Mexico

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BEFORE: TERRY WARNELL: Hearing Examiner  
20 DAVID BROOKS: Technical Advisor

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This matter came for hearing before the New Mexico  
Oil Conservation Division, Terry Warnell, Hearing  
Examiner, on January 8, 2009, at the New Mexico Energy,  
Minerals and Natural Resources Department, 1220 South  
St. Francis Drive, Room 102, Santa Fe, New Mexico.

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REPORTED BY: PEGGY A. SEDILLO, NM CCR NO. 88  
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Albuquerque, New Mexico 87102

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1 Examiner's Hearing  
Case No. 14263

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# I N D E X

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Page

5 APPLICANT'S WITNESS:

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RICHARD HARRIS

Direct Examination by Ms. Munds-Dry

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10 APPLICANT'S EXHIBITS

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Exhibits 1 through 7

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COURT REPORTER'S CERTIFICATE

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## A P P E A R A N C E S

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FOR THE APPLICANT:

OCEAN MUNDS-DRY, ESQ.

21

Holland & Hart

P. O. Box 2208

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Santa Fe, NM 87504-2208

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1 HEARING EXAMINER: Case No. 14263 will be our  
2 next case, Application of Lynx Petroleum Consultants, Inc.  
3 for compulsory pooling, Eddy County, New Mexico. Call for  
4 appearances.

5 MS. MUNDS-DRY: Good morning Mr. Examiner.  
6 Ocean Munds-Dry of the law firm Holland and Hart here  
7 representing Lynx Petroleum Consultants, Inc. this  
8 morning. And I have one witness.

9 HEARING EXAMINER: Will the witness please stand  
10 and state your name and get sworn?

11 MR. SCOTT: Larry Scott.

12 LARRY SCOTT,  
13 the witness herein, after first being duly sworn  
14 upon his oath, was examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MS. MUNDS-DRY:

17 Q. Would you please state your full name for the  
18 record?

19 A. Larry Scott.

20 Q. And where do you reside?

21 A. Hobbs, New Mexico.

22 Q. And by whom are you employed?

23 A. Lynx Petroleum Consultants, Incorporated.

24 Q. And how are you employed with Lynx?

25 A. I'm a partner and the president of the company.

1 Q. Have you previously testified before the  
2 Division?

3 A. Yes.

4 Q. And were your credentials accepted and made a  
5 matter of record at that time?

6 A. Yes, they were.

7 Q. Now, Mr. Scott, let me ask you, you've been  
8 qualified as a petroleum engineer in the past?

9 A. That is correct.

10 Q. In this capacity, though, you're not testifying  
11 as to any engineering matters?

12 A. That is also correct. In a small company, I  
13 have to wear several hats, and today I'm wearing my  
14 landman's hat.

15 Q. Okay.

16 MS. MUNDS-DRY: With that, Mr. Examiner, we will  
17 tender Mr. Scott as a tactical oil man.

18 HEARING EXAMINER: Mr. Scott is so qualified.

19 Q. Mr. Scott, are you familiar with the application  
20 that's been filed in this case?

21 A. Yes, I am.

22 Q. And the status of the lands also in the subject  
23 area?

24 A. Yes, I am.

25 Q. Would you briefly state what Lynx seeks with

1 this application?

2 A. We're seeking an order pooling the interest in  
3 the west half of Section 28, 20 south, 30 east, Eddy  
4 County, New Mexico, to return the Emperor Federal Gas B  
5 Com No. 1 Well to production in the Strawn formation.

6 Q. And how long has this well unit been out of  
7 production?

8 A. It's produced very intermittently since 1998. I  
9 think the last reported production was some two, maybe  
10 three years ago.

11 Q. Thank you. Mr. Scott, if you'd please turn to  
12 what's been marked as Lynx' Exhibit No. 1 and review that  
13 for the Hearing Examiner.

14 A. This would be the C-102 showing the west half  
15 proration unit of the Emperor Federal B Gas Com No. 1 Well  
16 point.

17 Q. And this also shows the well location?

18 A. Yes, it does.

19 Q. Would you then turn to what's been marked as  
20 Exhibit No. 2 and review this document for the Examiner?

21 A. Okay. When we acquired ownership of the well,  
22 we had a title opinion prepared. And there are two leases  
23 communitized in the west half of Section 28, and this is  
24 an ownership breakdown, I believe, of those two leases.

25 Q. And the title opinion showed, I believe, that

1 there were different ownerships depending on the depth?

2 A. That is affirmative. The ownership breakdown in  
3 some of these was 0 to 3,000, 3,000 to 5,000, and then  
4 below 5,000.

5 Q. Okay. And where does Lynx obtain its ownership  
6 interest from on this document?

7 A. Lynx is a successor in interest to the Isramco  
8 Energy, LLC interest in the east half northwest quarter,  
9 southwest northwest quarter, and the southwest quarter of  
10 Section 28.

11 Q. And that's 48.75 percent?

12 A. That is correct.

13 Q. Thank you. What is the primary objective of the  
14 proposed well?

15 A. The well is completed in the Strawn formation at  
16 roughly 11,000, and we propose to mechanically repair the  
17 well bore, clean some junk out of the hole, and return it  
18 to production in the Strawn.

19 Q. And what is the pool that is the subject of this  
20 application?

21 A. I believe that's the Golden Lane Strawn Pool.

22 Q. Thank you. Would you please then summarize  
23 Lynx' efforts to obtain voluntary participation of the  
24 interest owners listed in Exhibit A in the proposed  
25 spacing unit?

1           A.    We sent letters.  An example is Exhibit 3.  And  
2   an AFEs and joint operating agreements to all of the  
3   working interest owners that were identified in the title  
4   opinion.

5           A search through the paperwork that we obtained  
6   when we acquired the well bore, as well as contact with  
7   other working interest owners in the well bore, failed to  
8   turn up a joint operating agreement.  There wasn't one in  
9   our paperwork and we couldn't locate one anywhere else.

10          With that, we sent AFEs, a proposal letter, and  
11   a new joint operating agreement to all of the working  
12   interest owners identified in the title opinion.

13          Q.    And did all the parties respond to that letter?

14          A.    All except two, the Hudson Trust No. 4 and the  
15   Shelton and Moore interests.

16          Q.    And then, I believe you mentioned that Exhibit  
17   No. 3 shows the letters that were sent to the Shelton and  
18   Moore interest and the Hudson No. 4 Trust?

19          A.    That is affirmative.

20          Q.    Attached as well is the AFE that was sent to  
21   both of those parties?

22          A.    That is affirmative.

23          Q.    Did you undertake any other efforts to contact  
24   the Moore and Shelton and the Hudson No. 4 Trust --

25          A.    Those two entitles were not responsive.  Made

1 telephone calls, according to my notes, on October 2nd,  
2 talked to Ron Groppie with the Hudson Trust, and Don Moore  
3 with the Shelton and Moore interests, and, you know,  
4 really, I guess got a "we'll get back with you" response  
5 to both of those telephone contacts. I believe the first  
6 one was October 2nd, the second one was October 28th.

7 Q. And have you had any further contact with either  
8 of those parties?

9 A. Not since October 28th.

10 Q. In your opinion, then, have you made a  
11 good-faith effort to obtain their voluntary participation?

12 A. Yes, I have.

13 Q. Would you then also for the record, Mr. Scott,  
14 review for the Examiner the dry hole and completed well  
15 costs on the AFE before we leave Exhibit 3?

16 A. Dry hole cost was estimated at \$137,500, and a  
17 completed well at \$353,100.

18 Q. Now, let's turn to Exhibit No. 4, and this, I  
19 believe, shows your actual well costs?

20 A. That would be correct. Those are the actual  
21 costs that were incurred cleaning the junk out of the hole  
22 and returning the well to production.

23 Q. And what were those costs?

24 A. \$187,709 in intangibles, and \$345,254 tangibles.

25 Q. Are these costs in line with what Lynx and other



1 operators in the area drill or have to spend on --

2 A. I believe that it is, yes.

3 Q. And have you made an estimate of overhead in  
4 administrative costs while drilling this well and while  
5 producing it?

6 A. Yes, we have.

7 Q. What are your drilling rates and producing  
8 rates?

9 A. I believe we're asking for \$4,600 for drilling  
10 well rates, and \$460 a month for producing well rates.

11 Q. And is that reflected on Exhibit No. 5?

12 A. Yes, it is.

13 Q. Do you recommend that these figures be  
14 incorporated into any order that results from this  
15 hearing?

16 A. Yes, I do.

17 Q. And does Lynx also request the maximum charge  
18 for risk of 200 percent be imposed on each interest owner  
19 that does not commit their interest and are pooled under  
20 this order?

21 A. Yes, we do.

22 Q. And does Lynx seek to be designated the operator  
23 of this well?

24 A. Yes, we do.

25 Q. And in your opinion, would the granting of this

1 application be in the best interest of conservation,  
2 prevention of waste, and the protection of --

3 A. Yes, I do.

4 Q. And is Lynx Exhibit No. 6 a copy of the  
5 affidavit showing we gave notice of this application, as  
6 well as the Affidavit of Publication, the notice letter,  
7 and the green cards that went to the parties?

8 A. Yes, that is correct.

9 And were Exhibits No. 1 through 6 either  
10 prepared by you or compiled under your direct  
11 supervision?

12 A. Yes, they were.

13 MS. MUNDS-DRY: Mr. Examiner, I would move the  
14 admission of Exhibits 1 through 6 into evidence.

15 HEARING EXAMINER: Exhibits 1 through 6 are  
16 accepted.

17 MS. MUNDS-DRY: And that concludes my direct  
18 examination of Mr. Scott.

19 HEARING EXAMINER: Thank you. Mr. Scott, tell  
20 me kind of in where you're engineering at, what have you  
21 done, what did you do on this well in 2008 to incur these  
22 costs? I mean, did you get a rig out there or a pulling  
23 unit or --

24 THE WITNESS: Absolutely. The well was  
25 originally completed in the Morrow, plugged back to the

1     Strawn in 1982. It was completed with a packer through  
2     two and 3/8s tubing as a flowing Strawn gas well.

3             Over the years, they had multiple issues mostly  
4     dealing with fluid load up. Attempting to solve those  
5     problems again over the years, it left various pieces of  
6     junk in the hole inside the tubing. Also had evidence of  
7     holes in the tubing and holes in the production casing.

8             Our proposal included cleaning all of that junk  
9     as well as the production packer out of the hole, of  
10    running in with a new, larger tubing string and a rod  
11    pumping system and pumping unit to keep the fluids off  
12    that formation, and that's in fact, what we did.

13            HEARING EXAMINER: And did you identify or find  
14    any holes in the casing or --

15            THE WITNESS: We tested the casing, found no  
16    holes. Found multiple holes in the tubing. In fact, that  
17    was part of the issue with our AFE overexpenditure in that  
18    we had to completely replace the tubing string.

19            HEARING EXAMINER: Mr. Brooks?

20            MR. BROOKS: No questions. Oh, yeah, one. It  
21    looks like you have a return receipt from Mr. Moore. I  
22    don't see a return receipt from the Hudson Trust.

23            MS. MUNDS-DRY: That is correct, Mr. Brooks. We  
24    did not get a rerturn receipt from the Hudson Trust No. 4,  
25    however -- and Mr. Scott can testified to this, certified

1 letters have been sent to this address in the past and  
2 green cards have come back. I just don't know why we  
3 haven't received one back yet for this.

4 MR. BROOKS: Okay. Well, I know they are very  
5 much around and about. We see them often.

6 MS. MUNDS-DRY: Yes.

7 HEARING EXAMINER: Okay. No further questions.  
8 Mr. Scott, you can step down. We'll take Case No. 14263  
9 under advisement.

10 MS. MUNDS-DRY: Thank you, Mr. Examiner.

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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

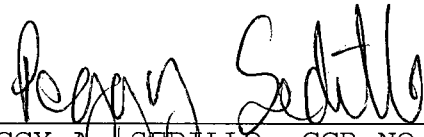
\* \* \*

1 STATE OF NEW MEXICO )  
 2 ) ss.  
 3 COUNTY OF BERNALILLO )  
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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 accurate  
 11 record of said proceedings as the same were  
 12 recorded by me or under my supervision.

13 Dated at Albuquerque, New Mexico this  
 14 12th day of January, 2009.  
 15  
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 19 \_\_\_\_\_  
 20 PEGGY A. SEDILLO, CCR NO. 88  
 21 License Expires 12/31/09  
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