

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:

ORIGINAL

APPLICATION OF RSC RESOURCES LIMITED CASE NO. 14316
PARTNERSHIP FOR APPROVAL OF A NON-STANDARD
OIL SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Legal Examiner
DAVID K. BROOKS, Technical Examiner

May 14, 2009

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Legal Examiner, and DAVID K. BROOKS, Technical Examiner, on Thursday, May 14, 2009, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

1 A P P E A R A N C E S

2 FOR THE APPLICANT:

3 James G. Bruce, Esq.
 4 Attorney at Law
 5 P.O. Box 1056
 6 Santa Fe, New Mexico 87504

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1 MR. EZEANYIM: At this point I call Case
2 Number 14316. This is the application of RSC Resources
3 Limited Partnership for approval of a non-standard oil
4 and spacing and proration unit and compulsory pooling,
5 Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of
8 Santa Fe representing the applicant. I am submitting
9 this by affidavit.

10 MR. EZEANYIM: Any other appearances?
11 Okay. You may continue.

12 MR. BRUCE: Mr. Examiner, I've handed you
13 several exhibits. If you'll turn to Exhibit 1 and maybe
14 go back a couple of pages to the land plat. In this case
15 RSC seeks to form a non-standard unit to drill a
16 horizontal Wolfcamp oil well, and the well unit is at the
17 north half/north half of Section 31 of 16 South, 28 East.
18 The well unit is highlighted. It's actually Lot 1 of the
19 northeast quarter of the northwest quarter in the north
20 half of the northeast quarter.

21 These are all state and federal leases
22 involved in this matter. The applicant also seeks to
23 force pool several interest owners in the Wolfcamp
24 Formation underlying the non-standard well unit. This
25 well is within a mile of the Dog Canyon-Wolfcamp Pool,

1 which is an oil pool spaced on state-wide rules.

2 The next page is a listing of the interest
3 owners in the north half/north half of Section 31, and
4 the four companies being pooled are four small working
5 interest owners: Hill Investment; H-S Minerals; Mary
6 Chambers; and Burton Crain.

7 The proposal letters which were sent out to
8 the interest owners are then attached as Exhibit C.
9 Probably the only thing of interest, other than there are
10 two sets of letters, you'll see that when the proposal
11 was sent out in December, the well costs were almost 3.8
12 million. The AFE attached to the last letter sent out is
13 about \$750,000 lower than that.

14 The very last page of Attachment C is a return
15 receipt of the proposal letter sent to Mary Chambers. I
16 mentioned this, Mr. Examiner, I believe Mary Chambers is
17 at that address in Brownwood, Texas. It was delivered at
18 that address. However, you'll see on my notice affidavit
19 another unclaimed interest owner -- or, I mean, unclaimed
20 letter, so it may be necessary to put an escrow provision
21 in the order. I think she's locateable, but that's not
22 certain.

23 The final two pages of the exhibit are --
24 because a non-standard unit is being formed, we had to
25 notify the offset operators and/or working interest

1 owners, and that shows the acreage involved and it also
2 lists all of the working interest owners or operators
3 involved in that offset acreage. One other thing, the
4 overhead rates are \$7,000 per month for a drilling well
5 and 700 a month for a producing well.

6 And just for your interest, Mr. Examiner, Mr.
7 Brooks has heard that -- if you care to -- I am
8 presenting this one by affidavit. There are two
9 additional pool cases in the south half of Section 30,
10 immediately to the north, and live witnesses were
11 presented in those cases. So if you care to review any
12 testimony, either land-related or engineering-wise --

13 MR. EZEANYIM: What case numbers?

14 MR. BRUCE: Those are 14245 and 14277, I
15 believe. Exhibit 2 is my Affidavit of Notice to the
16 parties being pooled and, again, everyone received
17 notice. Actually, a bunch of people were notified who
18 later signed farmouts or joined in the well. You'll see
19 the very last page, that the mailing sent to Mary
20 Chambers was unclaimed, and I have not yet gotten back
21 the original envelope.

22 Exhibit 3 is my Affidavit of Notice to all of
23 the offset operators and working interest owners, and
24 they all did receive notice. One thing, because Mary
25 Chambers was unclaimed, even though we thought we had the

1 right address, I have filed a -- I did publish notice as
2 against her interest. I have not received that back, and
3 so I would -- rather than take the case under advisement,
4 I ask that it be continued to June 2nd, simply so I can
5 present the Affidavit of Publication for this matter.

6 Finally, Exhibit 4 is the Affidavit of Randall
7 Cate, who's an engineer, and he testified in the previous
8 cases. Attached to this exhibit is the C-102, which
9 shows the approximate well location. The next attachment
10 shows that, in this area, there is Wolfcamp production,
11 both from horizontal and vertical wells, as stated in the
12 Affidavit. The only economic way to develop the Wolfcamp
13 oil reserves in this area is through horizontal wells.
14 There are a number of vertical wells, but they are not
15 economic, or, actually, the only way they'd be economic
16 is -- most of these wells were drilled as deeper gas
17 wells and then recompleted uphole in the Wolfcamp.

18 And the directional drilling plan for the well
19 is attached. And, finally, the AFE prepared by Mr. Cate
20 is attached, showing a completed well cost of about \$3
21 million. And with that, I'd ask that Exhibits 1 through
22 4 be admitted into the record and that the matter be
23 continued to the June 2nd hearing so that the notice --
24 the Affidavit of Publication can be presented.

25 MR. EZEANYIM: Exhibits 1 through 4 will

1 be admitted.

2 Before we continue the case, maybe we can --
3 because I know that to hear the case again on June 2nd,
4 we just collect the information, so let's ask some
5 questions, if you don't mind.

6 (Exhibits 1 through 4 were admitted.)

7 MR. BRUCE: Sure.

8 MR. BROOKS: I guess the only question I
9 have, because I've been working on those other cases, is
10 are there any wells in this unit?

11 MR. BRUCE: This is an easy one, Mr.
12 Examiner. There are no wells in this well unit.

13 MR. BROOKS: No existing wells.

14 MR. BRUCE: Yeah. And I believe --

15 MR. BROOKS: That helps.

16 MR. BRUCE: Yeah. And I believe, as a
17 matter of fact, there are no Wolfcamp wells in this
18 section.

19 MR. BROOKS: Okay.

20 MR. EZEANYIM: The wells to be drilled,
21 have they been drilled?

22 MR. BRUCE: It has not been drilled. As a
23 matter of fact, we do not have an API number. The APD
24 has been prepared but it has not been approved yet, so I
25 do not have an API number.

1 MR. EZEANYIM: Okay. Well, when I was
2 reading the docket, it says the surface location is
3 Section 30, so I was confused. But then I read all the
4 other documentation and the application where it says
5 Section 31.

6 MR. BRUCE: Yeah. Well, I've done several
7 of these, and it's just a typo.

8 MR. EZEANYIM: I want to make sure that's
9 a typo.

10 MR. BRUCE: It is Section 31.

11 MR. EZEANYIM: I just wanted to make sure
12 that's correct. You are going to do the newspaper and
13 bring it in on the 2nd?

14 MR. BRUCE: Yes. And nothing else will be
15 presented at that time.

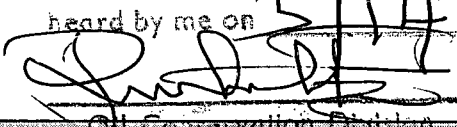
16 MR. EZEANYIM: Okay. The overhead is
17 7,000 and 700?

18 MR. BRUCE: That is correct.

19 MR. EZEANYIM: At this point Case Number
20 14316 will be continued to June 2nd to complete that
21 requirement.

22 * * *

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
the Examiner hearing of Case No. 14316
25 heard by me on 5/14/07


Examiner
Oil Conservation Division

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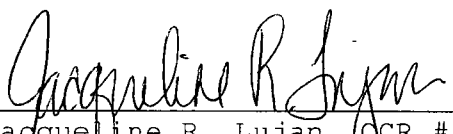
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on May 14, 2009, proceedings in the
above captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

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

WITNESS MY HAND this 22nd day of May, 2009.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2009