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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. 14405

APPLICATION OF PEDERNALES
PRODUCTION, LP FOR APPROVAL OF
A UNIT AGREEMENT, LEA COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDING
EXAMINER HEARING

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December 17, 2009
Santa Fe, New Mexico

BEFORE: WILLIAM P. JONES: Hearing Examiner
DAVID BROOKS: Technical Advisor

This matter came for hearing before the New Mexico
Oil Conservation Division, William P. Jones Hearing
Examiner, on December 17, 2009, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South 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, NM 87102

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I N D E X

Page

APPLICANT'S EXHIBITS:

Exhibit No. 1 6
Exhibit No. 2 6

COURT REPORTER'S CERTIFICATE 7

A P P E A R A N C E S

For the Applicant: OCEAN MUNDS-DRY, ESQ.
Holland and Hart
110 North Guadalupe, Suite 1
Santa Fe, NM 87501

1 HEARING EXAMINER: Okay, let's call Case 14405,
2 application of Pedernales Production, LP for approval of a
3 unit agreement, Lea County, New Mexico. Call for
4 appearances.

5 MS. MUNDS-DRY: Mr. Examiner, Ocean Munds-Dry
6 with the law firm of Holland and Hart here representing
7 Pedernales Production, LP this morning. And then also
8 presenting this case by affidavit on behalf of Mr. Carr.

9 HEARING EXAMINER: Any other appearances?

10 MS. MUNDS-DRY: Mr. Examiner, Pedernales
11 Production, LP seeks approval of a unit agreement for the
12 UNO State Exploratory Unit which is comprised of 1,600
13 acres of state of New Mexico lands in Lea County, New
14 Mexico.

15 Exhibit No. 1 is the affidavit of John Thoma who
16 is a petroleum geologist employed by Pedernales who is
17 responsible for the formation of this unit.

18 As you can see in Mr. Thoma's affidavit,
19 Pedernales is the designated unit operator for the unit,
20 and under the unit agreement, Pedernales seeks to test all
21 formations from the surface to the base of the Wolfcamp
22 formation.

23 Pedernales has proposed the initial unit well to
24 be drilled as a horizontal well in the Wolfcamp formation
25 traversing the north half north half of Section 23.

1 This well will be drilled at a standard surface
2 location in the northeast northeast quarter of Section 23
3 to a legal bottomhole location in the northwest northwest
4 quarter of the section.

5 The targeted total vertical depth for the
6 lateral portion of the proposed test well is approximately
7 9,655 feet.

8 Attachment A to the affidavit is a copy of the
9 unit agreement, which is also on a standard State Land
10 Office state fee agreement form.

11 Attachment B to the affidavit is Exhibit A to
12 the unit agreement and shows you the plat of the proposed
13 unit.

14 Attachment C to the affidavit is a copy of
15 Schedule B to the unit agreement. A 100 percent of the
16 working interest ownership is owned by Pedernales and is
17 committed to the unit, and it is all state royalty.

18 Attachment D to the affidavit is a letter from
19 the State Land Office giving preliminary approval of the
20 proposed unit.

21 Attachments E and F both include a general area
22 of production map and an Upper Wolfcamp/Basal Abo
23 isoporosity map. These maps characterize both areas of
24 production and the distribution of porosity within the
25 objective Upper Wolfcamp dolomite section across and

1 around the proposed UNO unit area.

2 Attachment G to the affidavit is a Wolfcamp
3 marker structure map, and also shows Pedernales' proposed
4 well location in the north half north half of Section 23.

5 If you look also at Attachments H and I, that
6 includes an Abo/Wolfcamp Stratigraphic Cross Section A, A
7 Prime, and B, B Prime.

8 Justification for inclusion of each of the
9 subject leases within the unit is based on evidence
10 provided by the six Wolfcamp penetrations within the unit
11 area, and those are further described in the affidavit and
12 then is shown here on Attachments H and I.

13 Pedernales is attempting to develop an Upper
14 Wolfcamp section that is developed at depths between 9,600
15 feet to 9,800 feet. If the initial unit well is
16 successful, additional wells will be drilled in the unit
17 area.

18 Exhibit No. 2 to the application is the
19 affidavit of publication showing notice was given of the
20 proposed unit.

21 Finally, Mr. Thoma testifies that approval of
22 the unit and development of the unit area pursuant to the
23 unit plan is in the best interest of conservation,
24 prevention of waste, and protection of correlative rights.

25 And with that, Mr. Jones, I'd ask that Exhibit

1 No. 1 and its attachments, and Exhibit No. 2 be admitted
2 into evidence.

3 HEARING EXAMINER: Exhibit No. 1 and all its
4 attachments, and Exhibit 2 are admitted.

5 MS. MUNDS-DRY: And I would ask that this case
6 be taken under advisement.

7 HEARING EXAMINER: Okay, Case 14405 is taken
8 under advisement.

9 (Whereupon, the proceedings concluded.)

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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)
) ss.
2 COUNTY OF BERNALILLO)

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REPORTER'S CERTIFICATE

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

Dated at Albuquerque, New Mexico this 22nd day of December, 2009.



PEGGY A. SEDILLO, CCR NO. 88
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