

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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

CASE NO. 14409

APPLICATION OF T. H. MCELVAIN OIL
& GAS LIMITED PARTNERSHIP FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

RECEIVED OOD
2009 DEC 28 A 9:14

December 17, 2009
Santa Fe, New Mexico

BEFORE: WILLIAM P. JONES: Hearing Examiner
TERRY WARNELL: 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

kyler f r 10/11/09

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

Page

APPLICANT'S EXHIBITS:

Exhibit No. 1 5
Exhibit No. 2 5

COURT REPORTER'S CERTIFICATE 8

A P P E A R A N C E S

For the Applicant: JAMES BRUCE, ESQ.
Attorney at Law
P. O. Box 1056
Santa Fe, NM 87501

1 HEARING EXAMINER: We'll call Case 14409, the
2 application of T. H. McElvain Oil and Gas Limited
3 Partnership for Compulsory Pooling, Lea County,
4 New Mexico. Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
6 representing the applicant, and I'm submitting this by
7 affidavit.

8 HEARING EXAMINER: Any other appearances?

9 MR. BRUCE: Mr. Examiner, I've handed you two
10 exhibits. The first one is the statement of Linnea Hill,
11 the landman for T. H. McElvain.

12 McElvain seeks to force pool Plats 3 and 4,
13 which is the west half of the southwest quarter for all
14 depths from the surface to the base of the Bone Spring
15 formation for purposes of drilling. It's McElvain Well
16 No. 10.

17 McElvain seeks to force pool Lot 3 of the
18 northwest southwest for 40 acre units, and the west half
19 of the southwest for 80 acre units.

20 The Bone Spring is in the EK Bone Spring. That
21 pool is based on 80 acres. The well location requirements
22 in that pool are, you're supposed to be within 150 feet of
23 the center of a quarter quarter section.

24 This location for the well is 2,240 feet from
25 the south line, and 990 feet from the west line. And

1 McElvain did obtain Administrative Order NSL-6108 for the
2 location.

3 The only two parties being pooled are AZL
4 Resources, Inc., which is a subsidiary of ConocoPhillips
5 Company, and then BP America Production Company, and
6 together, they control about 16 percent of the working
7 interest in this well unit.

8 McElvain does request a 200 percent risk charge.
9 And the overhead rates are \$7,800 a month for a drilling
10 well, and \$780 a month for a producing well.

11 Attached to the affidavit is Exhibit A, a land
12 plat. The well unit, which is 76.12 acres, is comprised
13 of a single federal lease which is Federal Lease
14 LC-069457. So interests are the same in both the 40 and
15 80 acre well units.

16 Attached as Exhibit B is a big mass of
17 correspondence. There's the well proposal, which was sent
18 to the parties several months ago, and then numerous
19 e-mail communications among the parties.

20 And although there were probably ten
21 communications between McElvain and each party, they have
22 not been able to reach agreement on joinder, and
23 therefore, McElvain does seek to force pool both AZL
24 Resources and BP America.

25 And the final page is the AFE for the well.

1 It's approximately a 10,100 foot Bone Spring test with a
2 dryhole cost of \$1.3 million, and a completed well cost of
3 \$2.1 million.

4 Submitted as Exhibit 2 is my affidavit of notice
5 to the parties being pooled. They both received actual
6 notice. You'll notice the last page of Exhibit 2 is the
7 Postal Service's online notice of verification.

8 I don't know why it is, but every time I send a
9 notice out to ConocoPhillips Company, the green card takes
10 about a month getting back. I don't know what the deal
11 is, but...

12 So anyway, with that, I would move the admission
13 of Exhibits 1 and 2 and ask that the case be taken under
14 advisement.

15 HEARING EXAMINER: Okay. Exhibits 1 and 2 will
16 be admitted. So you say the lease -- it includes the 40
17 and the 80?

18 MR. BRUCE: Yeah.

19 HEARING EXAMINER: And no depth severances?

20 MR. BRUCE: Not down to the Bone Spring.

21 HEARING EXAMINER: So that was an old, old pool
22 that the EK Bone Spring with --

23 MR. BRUCE: Yes, it's pretty old.

24 HEARING EXAMINER: 150 from the center.

25 MR. BRUCE: Oh, and this well does have an API

1 number. It was actually permitted over a year ago. It's
2 3002539520.

3 HEARING EXAMINER: This AFE that's in here is a
4 summary. Was it the only thing presented to BP America
5 and AZL Resources, or did they get the full details of the
6 AFE?

7 MR. BRUCE: Well, the very last page is a full
8 AFE.

9 HEARING EXAMINER: Okay. Thank you.

10 MR. BRUCE: I think that one you were looking at
11 was basically to set forth the working interest
12 percentages of the parties.

13 HEARING EXAMINER: Okay. Big difference between
14 dryhole costs and completed costs on this one.

15 MR. BRUCE: Yeah.

16 HEARING EXAMINER: Yeah. Okay. Let's take Case
17 14409 under advisement.

18 MR. BRUCE: And one thing, Mr. Brooks informed
19 me that a certain person who has to sign orders isn't
20 going to be available much for the rest of the year, but
21 if he's available immediately after the year, McElvain
22 would request that we get the order out as soon thereafter
23 as possible. They have to commence drilling and finish
24 drilling before the Buried Chicken and Doon Lizard and
25 whatever else come into the effect. So.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

HEARING EXAMINER: Okay. Thank you.

(Whereupon, the proceedings concluded.)

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 12/28/07

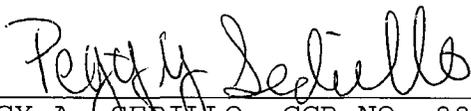
Oil Conservation Division, Examiner

1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO) 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 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 22nd day of December, 2009.
15
16
17

18 
19 _____
20 PEGGY A. SEDILLO, CCR NO. 88
21 License Expires 12/31/09
22
23
24
25