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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. 14437

APPLICATION OF CHASE OIL CORPORATION  
FOR A NON-STANDARD OIL SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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March 4, 2010  
Santa Fe, New Mexico

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

This matter came for hearing before the New Mexico  
Oil Conservation Division, David Brooks, Hearing Examiner,  
on March 4, 2010, 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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APPLICANT'S EXHIBITS:

Exhibit No. 1	6
Exhibit No. 2	6

Court Reporter's Certificate	8
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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 87504

1                   HEARING EXAMINER: At this time we'll call Case  
2 No. 14437, Application of Chase Oil Corporation for a  
3 Nonstandard Oil Spacing and Proration Unit and Compulsory  
4 Pooling, Eddy County, New Mexico. Call for appearances.

5                   MR. BRUCE: Mr. Examiner Jim Bruce of Santa Fe  
6 representing the Applicant. I am submitting this one by  
7 affidavit also.

8                   Mr. Examiner, in this case, Chase Oil  
9 Corporation seeks to force pool all unsigned by mineral  
10 interests in a 160 acre nonstandard oil unit or project  
11 area in the Abo/Wolf Camp formation comprised of the north  
12 half of the north half of Section 36, Township 16 South,  
13 Range 27 East.

14                  Submitted as Exhibit 1 is the verified statement  
15 of Staci Sanders, landman for Chase Oil. This acreage is  
16 to be committed to the Snowball State Com. Well No. 1  
17 which is a horizontal well, with the surface location in  
18 the northeast northeast, and a terminus in the northwest  
19 northwest of Section 37.

20                  The only formation being pooled would be the Abo  
21 or Wolfcamp formation. I believe there is a Wolfcamp pool  
22 within a mile of this well, but still, you see a lot of  
23 these wells permitted as Abo wells. So I'm not quite --  
24 I'm never quite certain of the difference between the Abo  
25 and the Wolfcamp.

1 HEARING EXAMINER: Nobody seems to be, from what  
2 I can tell.

3 MR. BRUCE: And that goes back to your comment  
4 that the Division hasn't done nomenclature proceedings.  
5 There's a lot of development in this area. People are  
6 still classifying them both ways.

7 HEARING EXAMINER: Right.

8 MR. BRUCE: The only party being pooled is OXY  
9 USA WTP Limited Partnership, which owns a 10 percent  
10 interest in the 160 acres.

11 If you go to Attachment A, you'll see the well  
12 unit being pooled. I would note that the acreage out here  
13 is skewed, but the original government survey is used. So  
14 even though the quarter quarter sections look differently  
15 sized, the federal government's original survey applies,  
16 so each of them are deemed to contain 40 acres, whether or  
17 not they do.

18 Submitted as Attachment B to the landman's  
19 affidavit is the well proposal which originally went out  
20 to the interest owners. There is, oh, nine or 10 interest  
21 owners in this well. The only one who has not yet agreed  
22 to join in the drilling of the well is OXY.

23 The correspondence, phone notes, e-mails,  
24 et cetera, with OXY are submitted. And they just have not  
25 reached agreement at this time. The final page,

1 Attachment C, is the AFE for the proposed well and it is a  
2 little over \$3.4 million, which I think is pretty common  
3 in this area. There have been about eight or ten  
4 horizontal wells drilled and all the AFEs for those wells  
5 are the same.

6 Applicant does request a 200 percent risk charge  
7 in the event OXY does go nonconsent. And the overhead  
8 rates requested by the Applicant are \$6,500 a month for a  
9 drilling well, and \$650 a month for a producing well. And  
10 finally, the Applicant requests that Mack Energy  
11 Corporation be designated as operator of the well.

12 Exhibit 2 is my affidavit of notice showing that  
13 Oxy USA did receive actual notice of this application.  
14 And then in Exhibit 1, the landman does identify the  
15 offset operators, and Exhibit 3 is notice given --

16 HEARING EXAMINER: Okay, where are they  
17 identified?

18 MR. BRUCE: On Page 2, Paragraph 2-G.

19 HEARING EXAMINER: Okay, I see.

20 MR. BRUCE: And Exhibit 3 is my affidavit of  
21 notice giving notice of the nonstandard unit portion of  
22 the application of the offset operators. And they all did  
23 receive actual notice. And this well does have an API  
24 number. It is 3001536751.

25 And with that, I'd move the admission of

1 Exhibits 1 through 3.

2 HEARING EXAMINER: Okay, 1 through 3 are  
3 admitted. Chase owns an interest in all of the units  
4 comprised as this project area?

5 MR. BRUCE: Chase owns interest in the north  
6 half northeast, but other people who have signed the JOA  
7 do own interests in other.

8 HEARING EXAMINER: Okay. Mr. Jones just pointed  
9 out to me the table that summarizes these interests.

10 MR. BRUCE: All of the other interests owners  
11 other than OXY USA have agreed to sign a JOA.

12 HEARING EXAMINER: The concern I would have  
13 about there case -- I didn't see this, but we normally  
14 have a -- at least an affidavit representation that all of  
15 the quarter sections to be included in the nonstandard  
16 unit are expected to be deductive in the --

17 MR. BRUCE: That's fine, I could continue the  
18 case.

19 HEARING EXAMINER: Yeah, I think that's what we  
20 should do, because we need some evidence to support the  
21 formation of a nonstandard unit. Even if the landman said  
22 that, I wouldn't take a landman's affidavit to --

23 MR. BRUCE: Yes. That's fine, Mr. Examiner.

24 HEARING EXAMINER: Okay. Very good. Case  
25 No. 14437 will be continued to March 18th for the purpose

1 of supplementing the record.

2 (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. 14437,  
heard by me on 7-4-2010.  
David K. Burt, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO )  
 ) ss.  
 2 COUNTY OF BERNALILLO )

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REPORTER'S CERTIFICATE

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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  
 9th day of March, 2010.



PEGGY A. SEDILLO, CCR NO. 88  
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