

STATE OF NEW MEXICO

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ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

JAN 8 2004

OIL CONSERVATION DIVISION

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

CASE NO. 13,195

APPLICATION OF NADEL AND GUSSMAN)
PERMIAN, L.L.C., FOR COMPULSORY POOLING,)
EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

December 18th, 2003

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, December 18th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

December 18th, 2003
 Examiner Hearing
 CASE NO. 13,195

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APPEARANCES	3
APPLICANT'S WITNESS:	
<u>SAM H. JOLLIFFE, IV</u> (Landman)	
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REPORTER'S CERTIFICATE	13

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	5	10
Exhibit 2	7	10
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Exhibit 4	9	10
Exhibit 5	10	10

* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 8:38 a.m.:

3
4 EXAMINER JONES: Okay, at this time we'll call
5 Case 13,195, Application of Nadel and Gussman Permian,
6 L.L.C., for compulsory pooling, Eddy County, New Mexico.
7 Call for appearances in this case.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
9 representing Applicant. I have one witness.

10 EXAMINER JONES: Any other appearances in this
11 case?

12 We did get a letter from Mr. Greg Nibert,
13 representing Stanico Energy Corp.

14 MR. BRUCE: Yes, he also contacted me.

15 EXAMINER JONES: Okay with that, no other
16 appearances here, will the witness please stand to be
17 sworn?

18 (Thereupon, the witness was sworn.)

19 SAM H. JOLLIFFE, IV,
20 the witness herein, after having been first duly sworn upon
21 his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q. Would you please state your name for the record?

25 A. Sam Jolliffe.

1 Q. Where do you reside?

2 A. Midland, Texas.

3 Q. Who do you work for and in what capacity?

4 A. Nadel and Gussman Permian, L.L.C., as land
5 manager.

6 Q. Have you previously testified before the
7 Division?

8 A. Yes, I have.

9 Q. And were your credentials as an expert petroleum
10 landman accepted as a matter of record?

11 A. Yes.

12 Q. And are you familiar with the land matters
13 involved in this Application?

14 A. Yes, sir.

15 MR. BRUCE: Mr. Examiner, I'd tender Mr. Jolliffe
16 as an expert petroleum landman.

17 EXAMINER JONES: Mr. Jolliffe is so qualified.

18 Q. (By Mr. Bruce) Mr. Jolliffe, could you identify
19 Exhibit 1 and describe what Nadel and Gussman seeks in this
20 case?

21 A. Yes, Exhibit 1 is a land plat highlighting the
22 south half of Section 4, Township 23 South, Range 28 East,
23 Eddy County, and we seek an order pooling all mineral
24 interests from the surface to the base of the Morrow
25 underlying the south half of Section 4.

1 Q. And what is the name of the well that's being
2 drilled on this acreage?

3 A. The unit will be dedicated to the Apollo Fee Well
4 Number 1, which will be located at a standard location in
5 the southwest quarter of the southwest quarter of Section
6 4.

7 Q. Okay. And in addition to seeking pooling of 320-
8 acre units, you're also seeking pooling of the southwest
9 quarter for 160-acre units; is that correct?

10 A. Yes.

11 Q. And the southwest southwest for 40-acre --

12 A. Yes, sir.

13 Q. -- units? And also the south half, southwest for
14 80-acre oil units; is that correct?

15 A. Yes, sir.

16 Q. Again, are we here for -- seeking to pool
17 unleased mineral owners?

18 A. Yes, that's correct.

19 Q. Okay. Briefly, what is the ownership of the
20 south half of 4?

21 A. The ownership is 100 percent fee, fee owners.
22 It's got -- with undivided mineral interest ownership, and
23 there's approximately 46 different owners.

24 Q. Okay, so the south half is one undivided tract?

25 A. Yes, that's correct.

1 Q. So every owner owns --

2 A. Undivided in the south half, that's correct.

3 Q. -- the same interest, regardless of the well
4 unit?

5 A. Yes, sir.

6 Q. So -- Has Nadel and Gussman obtained leases on --
7 covering most of the interests?

8 A. Yes, that's correct, we've obtained 29 leases
9 covering approximately 85 percent of the mineral interest
10 under the south half, and we seek to pool the remaining
11 unleased approximate 15-percent ownership.

12 Q. Referring to Exhibit 2, are these the parties who
13 you still seek to pool?

14 A. Yes, that's correct.

15 Q. I notice you made comments under some of these
16 people that they have verbally agreed to lease. Have you
17 just not received the leases yet?

18 A. That's correct, they verbally agreed. We just
19 have not received the paperwork back from them yet, and I'm
20 not sure when we're going to.

21 Q. Okay. And then as the Hearing Examiner said, he
22 received a letter from Greg Nibert representing Stanico
23 Energy Corporation. They are one of the unleased mineral
24 owners?

25 A. That's correct.

1 Q. Let's discuss your efforts to obtain the
2 voluntary joinder of these interest owners. What is
3 Exhibit 3?

4 A. Okay, Exhibit 3 contains all the correspondence
5 that was sent to all of the owners listed on Exhibit 2. We
6 mailed our proposal on October 20th, 2003, and then we
7 followed up with letters on November 19th, 2003, and did
8 talk with some of the people by phone also.

9 Q. Okay. Oh, on Exhibit 2, going back to Exhibit 2,
10 were all of these people locatable, or were there any who
11 could not be located?

12 A. All but one, Ruth Roberts who owns one acre, we
13 could not find her -- Internet searches, that kind of
14 thing, we just -- we could not locate her.

15 One lady, Edna Mae Watt, did receive our
16 correspondence. We got green cards back from her. But she
17 never did -- would not respond to us.

18 Q. Okay.

19 A. And of course we couldn't find a phone number for
20 her, even though we had a correct address.

21 Q. Okay. So there was only one unlocatable person
22 out of the --

23 A. Yes.

24 Q. -- 46 owners?

25 A. Right, that's correct.

1 Q. In your opinion, has Nadel and Gussman made a
2 good faith effort to obtain the voluntary joinder of the
3 interest owners in the wellbore?

4 A. Yes.

5 Q. Would you identify Exhibit 4 and discuss the cost
6 of the proposed well?

7 A. Okay, Exhibit 4 is an AFE for the well. The
8 well's proposed depth is approximately 12,700 feet. It has
9 an estimated dryhole cost of \$913,330 and a completed well
10 cost of \$493,205, for a total cost of a little over \$1.4
11 million.

12 Q. Is this cost in line with the cost of other wells
13 drilled to this depth in this area of the county?

14 A. Yes.

15 Q. Does Nadel and Gussman request that it be
16 designated operator of the well?

17 A. Yes, sir.

18 Q. And do you have a recommendation for the overhead
19 rates?

20 A. Yes, we request that \$6500 a month be allowed for
21 drilling well rate and \$650 a month be allowed for
22 producing well rate.

23 Q. Are these amounts equivalent to those normally
24 charged by Nadel and Gussman and other operators in this
25 area of Eddy County?

1 A. Yes.

2 Q. And do you request that these rates be adjusted
3 under the COPAS accounting procedure?

4 A. Yes.

5 Q. Does Nadel and Gussman request that the maximum
6 cost-plus-200-percent risk charge be assessed against
7 nonconsenting owners?

8 A. Yes.

9 Q. And were all the locatable parties notified of
10 this hearing?

11 A. Yes.

12 Q. And Exhibit 5 is my affidavit of notice?

13 A. Yes, sir.

14 Q. Were Exhibits 1 through 5 prepared by you or
15 under your supervision or compiled from company business
16 records?

17 A. Yes.

18 Q. And in your opinion is the granting of this
19 Application in the interests of conservation and the
20 prevention of waste?

21 A. Yes, sir.

22 MR. BRUCE: Mr. Examiner, I'd move the admission
23 of Nadel and Gussman Exhibits 1 through 5.

24 EXAMINER JONES: Exhibits 1 through 5 are
25 admitted to evidence.

EXAMINATION

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BY EXAMINER JONES:

Q. Mr. Jolliffe, so you want the -- you want Nadel and Gussman Permian, L.L.C., exactly to be named the operator, of this same name exactly?

A. Yes, sir.

Q. Sometimes people change their names.

A. Yeah, that's how we do with --

Q. Okay.

A. -- on permitting.

Q. And you said this was 320 gas, Atoka-Morrow, 160 gas, right?

A. Yes.

Q. 160 gas, obviously.

And 80-acre oil, Bone Spring --

A. Yeah.

Q. -- because of that offset Bone Spring well that was there, that's been plugged?

MR. BRUCE: Yeah, I think it's been plugged, but the pool rules are still there.

EXAMINER JONES: Since that well has been plugged -- Okay, pool rules.

Q. (By Examiner Jones) And 40-acre oil, and it would be Delaware oil, yeah.

A. I believe that's correct.

1 EXAMINER JONES: Okay, that's -- Gail, do you
2 have any questions for this witness?

3 MS. MacQUESTEN: No questions, thank you.

4 EXAMINER JONES: Okay, Mr. Jolliffe, thanks very
5 much.

6 THE WITNESS: Thank you.

7 EXAMINER JONES: With that, we'll take Case
8 13,195 under advisement.

9 (Thereupon, these proceedings were concluded at
10 8:46 a.m.)

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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

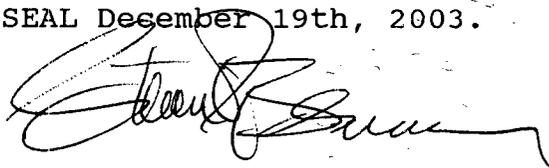
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL December 19th, 2003.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006