

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:

CASE NO. 14549

APPLICATION OF NEARBURG EXPLORATION
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: MR. TERRY WARNELL, Technical Examiner
MR. DAVID K. BROOKS, Legal Examiner

September 30, 2010

Santa Fe, New Mexico

This matter came on for hearing before the New
Mexico Oil Conservation Division, TERRY WARNELL,
Technical Examiner and DAVID K. BROOKS, Legal Examiner,
on Thursday, September 30, 2010, at the New Mexico
Energy, Minerals and Natural Resources Department, 1220
South St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jeannine K. Sims, RPR, NM CCR #12
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR THE APPLICANT:

Mr. James Bruce
 ATTORNEY AT LAW
 369 Montezuma No. 213
 Santa Fe, New Mexico 87501
 505-982-2043
 jamesbruc@aol.com

WITNESSES: PAGE

None.

EXHIBITS 1 THROUGH 2 WERE ADMITTED 5

REPORTER'S CERTIFICATE 7

1 HEARING OFFICER BROOKS: Because we're
2 considering someone may be appearing on 14548 who is not
3 here yet, at this time we start by calling Case No.
4 14549, which is the application of Nearburg Exploration
5 Company, LLC for compulsory pooling, Eddy County, New
6 Mexico.

7 MR. BRUCE: Mr. Examiner, Jim Bruce
8 representing the applicant and submitting this case by
9 affidavit.

10 HEARING OFFICER BROOKS: You may proceed,
11 Mr. Bruce.

12 MR. BRUCE: Mr. Examiner, in this case
13 Nearburg Exploration Company, LLC seeks the compulsory
14 pooling of the north half, northeast quarter of Section
15 12 South, Range 32 East. They seek to of course pool
16 both the northwest quarter of the northeast quarter where
17 the well is located and the north half northeast quarter
18 of Section 12, which would be spaced on 80 acres, I
19 believe it's the North Bagley Perma Penn pool on 80
20 acres.

21 I have submitted to you as Exhibit 1 the
22 verified statement of Russel Whitman, a landman for
23 Nearburg. Nearburg seeks to force pool three entities;
24 Edge Petroleum Exploration Company, Pure Energy Group,
25 Inc., and Chisos Limited. Those interest owners and

1 their percentage interests in the well units are set
2 forth in subparagraph 2(c).

3 This is fee land the north half northeast is
4 a single fee tract and so the interests of the parties
5 are uniform, whether it's 40 acres or 80 acres, and as to
6 all depths. The well that's being drilled with the
7 Rocking 12 Well No. 1, which be be drilled at an orthodox
8 well location, and as I said, it will test the Permo Penn
9 formation.

10 The landman's affidavit includes a land plat
11 and the proposal letters which went out to the parties.
12 Also attached as Attachment B to the landman's affidavit
13 right toward the very end are some notes from Shaw
14 Interests, Inc., which was a contract landman showing
15 that they have had contacts with the three parties being
16 pooled since January of this year.

17 These are unleased mineral interests and
18 they first attempted to lease the mineral interests and
19 when that didn't work they sent out a well proposal and
20 they are still discussing the well proposal with these
21 people and hope to get at least one or two of them to
22 sign up.

23 Attachment C to the landman's affidavit is
24 the AFE for the well. The dry hole costs are
25 approximately \$1,170,000 and the total completed well

1 costs are \$1,540,000. Applicant does request the maximum
2 200 charge -- 200 percent risk charge in the event
3 somebody goes non-consent in the well and their overhead
4 charges are \$6,000 a month for a drilling well and \$600 a
5 month for a producing well.

6 HEARING OFFICER BROOKS: Okay. It looks
7 like going through Page 2 is the total well costs are
8 \$2,182,136.

9 MR. BRUCE: That's right. I'm looking at
10 the wrong one. That is correct. This is a vertical
11 well, which seems to be unusual these days.

12 HEARING OFFICER BROOKS: It is getting more
13 so.

14 MR. BRUCE: Submitted as Exhibit 2 is my
15 notice affidavit. All of the parties being pooled did
16 receive actual notice. Additional notice -- or notice
17 was sent to additional parties but since the date notice
18 was given Elliott-Hall Company, Elliott Industries
19 Limited Partnership and Shriners Hospital for Children
20 have leased their interests. With that I move the
21 admission of Exhibits 1 and 2.

22 HEARING OFFICER BROOKS: Okay. Exhibits 1
23 and 2 will be admitted. I think you covered all my
24 questions. Okay. Well, one thing I take it this Perma
25 Penn is the primary objective?

1 MR. BRUCE: That is correct.

2 HEARING OFFICER BROOKS: Okay. And what's
3 going to be the approximate depth? Do you have that
4 information?

5 MR. BRUCE: I will e-mail that for you,
6 Mr. Examiner. It's I believe it's somewhere in the order
7 of -- of 8,000 feet or thereabouts.

8 HEARING OFFICER BROOKS: Okay. Very good.
9 If there's nothing further then -- did you have any
10 questions, Terry?

11 MR. WARNELL: No.

12 HEARING OFFICER BROOKS: If there's nothing
13 further then Case 14549 will be taken under advisement.

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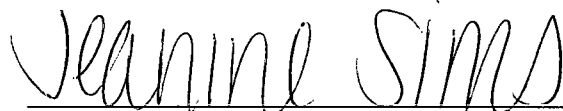
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14549
heard by me on 9-30-2010
David K. Burch Examiner
Oil Conservation Division

1 THE STATE OF NEW MEXICO :
2 COUNTY OF BERNALILLO :

3 BE IT KNOWN that the foregoing transcript of
4 proceedings was taken by me; that I was then and there a
5 Certified Court Reporter and Notary Public in and for the
6 County of Bernalillo, State of New Mexico, and by virtue
7 thereof, authorized to administer an oath; that the
8 witness before testifying was duly sworn by me; that the
9 foregoing 6 pages contain a true and accurate transcript
10 of the proceedings, all to the best of my skill and
11 ability.

12 I FURTHER CERTIFY that I am neither employed by
13 nor related to nor contracted with (unless excepted by
14 the Rules) any of the parties or attorneys in this case,
15 and that I have no interest whatsoever in the final
16 disposition of this case in any court.

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JEANNINE K. SIMS, CSR, RPR
NM Certified Court Reporter #12
License expires: 12/31/10
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