

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. 14594

APPLICATION OF KEYSTONE PETROLEUM NM LLC
FOR APPROVAL OF A UNIT AGREEMENT,
CHAVES COUNTY, NEW MEXICO,

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner
DAVID K. BROOKS, Legal Examiner

February 17, 2011

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
Hearing Examiner, and DAVID K. BROOKS, Legal Examiner,
on Thursday, February 17, 2011, at the New Mexico
Energy, Minerals and Natural Resources Department, 1220
South Street Francis Drive, Room 102, Santa Fe,
New Mexico.

REPORTED BY: Lisa Reinicke
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

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A P P E A R A N C E S

For the Applicant:

HOLLAND & HART, LLP
 110 North Guadalupe, Suite 1
 Santa Fe, New Mexico 87501
 (505) 988-4421
 By: Ocean Munds-Dry

I N D E X

PAGE

NO WITNESSES TESTIFIED

CERTIFICATE OF COMPLETION OF DEPOSITION

7

EXHIBITS

MARKED/IDENTIFIED

1. Affidavit and Attachments A - F

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2. Project Cost Estimate

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1 EXAMINER EZEANYIM: Let me go back to
2 page 1. I call case number 14594. This is the
3 application of Keystone Petroleum New Mexico LLC for
4 approval of a Unit Agreement, Chaves County. Call for
5 appearances.

6 MS. MUNDS-DRY: Good morning, Mr. Hearing
7 Examiner. My name is Ocean Munds-Dry with the law firm
8 Holland & Hart, LLC. I'm here representing Keystone
9 Petroleum New Mexico LLC this morning, and I'm
10 presenting this case by affidavit.

11 EXAMINER EZEANYIM: Any other appearances?

12 MS. MUNDS-DRY: Mr. Hearing Examiner, this
13 morning I'm here presenting to you the application of
14 Keystone Petroleum New Mexico LLC for the approval of
15 the West Newmill 4-26 exploratory unit. The unit is
16 supposed to be comprised of 4,960 acres of state and fee
17 lands, and it's located approximately 45 miles
18 south-southeast of Elkins, New Mexico.

19 Before you, Mr. Examiner, Exhibit Number 1 is the
20 affidavit of Louis Mazzullo. He is the contract
21 petroleum geologist from Keystone responsible for the
22 unit. He identifies the project in his affidavit.
23 Attachment A to the affidavit is a copy of the standard
24 State/Fee Exploratory Unit Agreement. The proposed
25 testing formation is from the surface to the top of the

1 Fusselman-Montoya formation. The initial test well is
2 proposed to be located at a standard location 760 feet
3 from the south line and 1980 feet from the west line of
4 Section 15, Township 4 South, Range 26 East to test all
5 formations from the surface to an approximate total
6 depth of 6800 feet.

7 Attachment B to the affidavit is copy of the
8 plat, which is the plat that is part of the unit
9 agreement which identifies the unit boundaries.

10 Attachment C to the affidavit shows you a copy of
11 the ownership breakdown, approximately, and really over
12 96 percent of the working interest is committed to the
13 unit.

14 Attachment D to the affidavit is a letter from
15 the Commissioner of Public Lands giving his preliminary
16 approval to the formation of the unit.

17 Attachment E to the affidavit is Mr. Mazzullo's
18 Fusselman-Montoya structure map. It shows a structure
19 on top of the Abo formation and also shows you -- and
20 you can see the key here. It shows you -- the circles
21 show you the potential locations for not only the Abo
22 but for some secondary targets in the Strawn.

23 Attachment F to the affidavit is cross section A,
24 A prime. This cross section shows the two deepest
25 objectives and the structures affecting the distribution

1 and disposition of potential reservoirs in the
2 Fusselman-Montoya and in the Strawn.

3 Exhibit 2 is a copy of the AFE, which shows the
4 dry hole and completed well costs for the initial test
5 well.

6 And, finally, in Mr. Mazzullo's affidavit he
7 testifies that the development of this gated area is
8 pursuant to a unit plan. It's in the best interest of
9 conservation, the prevention of waste, and the
10 protection of correlative rights.

11 With that, Mr. Examiner, I move to admit
12 Exhibit Number 1, its attachments, and Exhibit Number 2.

13 EXAMINER EZEANYIM: Exhibit Number 1 and its
14 attachments and Exhibit Number 2 will be admitted.

15 Do you have any questions?

16 [Exhibits 1 and 2 admitted.]

17 EXAMINER BROOKS: Is this all state land?

18 MS. MUNDS-DRY: No. There's some fee lands
19 in the unit well.

20 EXAMINER EZEANYIM: What is the depth?

21 MS. MUNDS-DRY: The total depth is proposed
22 to be at 6800 feet.

23 EXAMINER EZEANYIM: On the Fusselman?

24 MS. MUNDS-DRY: Uh-huh, yes.

25 EXAMINER EZEANYIM: And 96 percent of owners

1 have committed?

2 MS. MUNDS-DRY: Yeah, it's a little over
3 96 percent.

4 EXAMINER EZEANYIM: Anything further?

5 MS. MUNDS-DRY: Nothing further.

6 EXAMINER EZEANYIM: Okay. At this point
7 case number 14594 will be taken under advisement.

8 MS. MUNDS-DRY: Thank you, Mr. Examiner.

9 [Case 14594 taken under advisement.]

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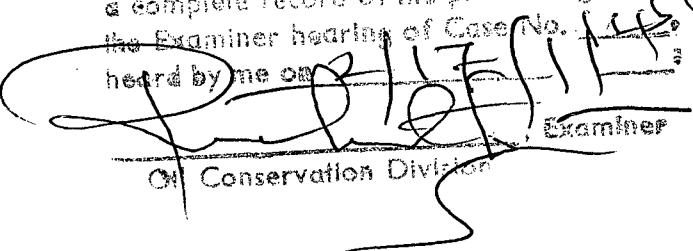
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14594
heard by me on 11/11/11


Examiner
Of Conservation Division

REPORTER'S CERTIFICATE

I, Lisa Reinicke, New Mexico Provisional Reporter, License #P-405, working under the direction and direct supervision of Paul Baca, New Mexico CCR License #112, Official Court Reporter for the US District Court, District of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest whatsoever in the final disposition of this case in any court.


Lisa R. Reinicke,
Provisional License P-405
License expires: 8/21/2011

Ex count: