

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:)

APPLICATION OF NM&O OPERATING COMPANY)
 FOR COMPULSORY POOLING, RIO ARRIBA)
 COUNTY, NEW MEXICO)

CASE NO. 13,196

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER 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.

* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

I N D E X

December 18th, 2003
Examiner Hearing
CASE NO. 13,196

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E X H I B I T S

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit B | 4 | 4 |
| Exhibit 1 | 4 | 4 |

* * *

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 8:46 a.m.:

3 EXAMINER JONES: And let's call Case 13,196,
4 Application of NM&O Operating Company for compulsory
5 pooling, Rio Arriba County, New Mexico.

6 This case is styled in the absence of objection.
7 Called for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
9 representing the Applicant.

10 EXAMINER JONES: Any other appearances? Okay,
11 Mr. Bruce, can you go over this case?

12 MR. BRUCE: Yeah, Mr. Examiner, I'll start at the
13 beginning. This well, for your information, was actually
14 drilled about 12 or 14 years ago, and it sat idle until a
15 couple of years ago when it was actually completed and
16 started producing from the Blanco-Mesaverde.

17 And the operator obtained voluntary agreements,
18 spent substantial time obtaining voluntary agreements from
19 all of the lessees and obtained the joinder of everyone
20 except for Hooper, Kimball and Williams, Inc.

21 Hooper, Kimball and Williams said they would farm
22 out or otherwise dedicate their interest to the well, but
23 they never did. I filed this Application under Rule
24 1207.A.(1).(b) such that in the absence of objection it
25 should be taken under advisement.

1 I do have two things. When I filed the
2 Application I did not have good copies of all the
3 correspondence, which should be attached as Exhibit B to
4 the Application.

5 I'm handing you Exhibit B to the Application,
6 which contains copies of the letters, phone notes and
7 e-mails from NM&O Operating Company to Hooper, Kimball and
8 Williams, starting a year and a half ago, continuing up
9 until last month. As you can see, there are literally
10 dozens of contacts, and they could never get Hooper,
11 Kimball and Williams to sign on the dotted line. Once
12 again, there was never any objection, they just did not
13 sign and join in the well or farm out their interest.

14 Notice of the Application was given to Hooper,
15 Kimball and Williams. Exhibit 1 is the notice affidavit,
16 and I would ask that exhibit be admitted as part of the
17 Application and Exhibit 1 be admitted into the record.

18 EXAMINER JONES: Exhibit 1 into the record, and
19 Exhibit B should be added to the Application and admitted
20 to the record.

21 The thing that confused me is, I looked in our
22 well files and I saw that this has been a Mesaverde well
23 for 10 to 15 years, and then also it was under another
24 operator until about 1987 --

25 MR. BRUCE: I can give you the background on

1 that.

2 This well was drilled by Mesa Grande Resources,
3 Inc., in, I think, 1989 or thereabouts. And Mesa Grande
4 had financial and other troubles, and the well -- I think
5 the initial completion report filed on it showed that it
6 was capable of producing half a million a day in gas, but
7 it was never put on line. And then there was a dispute
8 over operatorship that was eventually resolved, and that's
9 how finally NM&O Operating Company took over all of Mesa
10 Grande's properties and became operator.

11 But still, because of some disputes among the
12 interest owners, it finally -- which were resolved a couple
13 years ago, or maybe a year and a half ago, it wasn't until
14 then that the additional work was made to finally complete
15 the well and put it on production in the Mesaverde, so --
16 which is why it sat there for, you know, over 10 years,
17 like I said, almost 12 or 13 years, without any activity
18 whatsoever, even though it had been drilled and completed.

19 EXAMINER JONES: Okay, there was another thing
20 that happened in, I think, 1990, when the Blanco-Mesaverde
21 was expanded and included this area, and the order stated
22 that the -- previously, 160-acre Mesaverde should be
23 expanded on a C-103 to include 320 acres, and I notice they
24 did file a C-103 for the east half. But at that time did
25 they pool?

1 MR. BRUCE: No, at that time they did not pool.

2 EXAMINER JONES: They did not pool. So the
3 production that's happened for the last two or three years,
4 are they saving revenue from that for these people?

5 MR. BRUCE: Everybody joined in about a year and
6 a half ago except for Hooper, Kimball and Williams, so that
7 has been placed in suspense.

8 EXAMINER JONES: Okay. So when you -- but now
9 how do you --

10 MR. BRUCE: And Hooper, Kimball and Williams, for
11 your information, has in the northeast quarter, southeast
12 quarter, that 40-acre tract, they have one-third of the
13 working interest in that tract, which would give them a
14 little over a 4-percent working interest in the well.

15 EXAMINER JONES: Okay. Now, the Application says
16 this was recompleted, but wasn't it just --

17 MR. BRUCE: It was actually just --

18 EXAMINER JONES: -- completed?

19 MR. BRUCE: -- you know, I shouldn't have said
20 recompleted. Completed.

21 EXAMINER JONES: Completed.

22 MR. BRUCE: Because it was not -- It was
23 originally drilled to the Blanco-Mesaverde and not down --
24 I do not believe it was drilled down to the Dakota, as many
25 of those wells were in this area, or at least the Mancos.

1 EXAMINER JONES: So this -- the cost of -- for
2 figuring the penalty, what would you use for the cost?

3 MR. BRUCE: We would just the completion costs,
4 not the original drilling costs. Just the costs that were
5 incurred in 2002.

6 EXAMINER JONES: In 2002?

7 MR. BRUCE: Yes, that's all they are asking for.

8 EXAMINER JONES: Okay. And do we have the amount
9 of --

10 MR. BRUCE: Yes, that's Exhibit C.

11 EXAMINER JONES: Okay.

12 MR. BRUCE: Or actually it was 2001, I think,
13 where the work was done. It might not have been placed on
14 production yet until 2002.

15 EXAMINER JONES: Okay, it's all becoming clear
16 now, so thanks for bearing with me on that.

17 Gail do you have anything?

18 MS. MacQUESTEN: Do we have Exhibit C?

19 MR. BRUCE: It is attached to the Application.

20 MS. MacQUESTEN: Oh, okay, thank you.

21 EXAMINER JONES: Okay, thanks very much, Mr.
22 Bruce. With that, we'll take Case 13,196 under advisement.

23 (Thereupon, these proceedings were concluded at
24 8:54 a.m.)
25 I hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____

STEVEN T. BRENNER, ^{Oil & Gas} Division, Examiner
(505) 989-9317

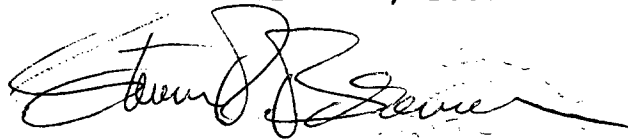
CERTIFICATE OF REPORTER

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