

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. 11,821
)	
AMENDED APPLICATION OF PALOMA)	
RESOURCES, INC., FOR COMPULSORY)	
POOLING, LEA COUNTY, NEW MEXICO)	
)	ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

December 4th, 1997

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, December 4th, 1997, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

December 4th, 1997
Examiner Hearing
CASE NO. 11,821

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T

Applicant's

Identified

Admitted

Exhibit A

5

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* * *

A P P E A R A N C E

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 10:23 a.m.:

3 EXAMINER CATANACH: At this time I'll call Case
4 11,821, the amended Application of Paloma Resources, Inc.,
5 for compulsory pooling, Lea County, New Mexico.

6 Call for appearances at this time.

7 MR. CARR: May it please the Examiner, my name is
8 William F. Carr with the Santa Fe law firm Campbell, Carr,
9 Berge and Sheridan. We represent Paloma Resources, Inc.,
10 in this matter, and I would like to make a statement.

11 EXAMINER CATANACH: Okay. Any additional
12 appearances in this case?

13 Mr. Carr, you may proceed.

14 MR. CARR: Mr. Examiner, Case 11,821 was
15 originally heard on September the 4th of this year. The
16 case was before you. And following that hearing, Order
17 Number R-10,873 was entered on September the 12th, pooling
18 the west half of the southwest quarter of Section 28,
19 Township 16 South, Range 37 East, Lea County, New Mexico.

20 The purpose of this pooling case was to enable
21 Paloma to re-enter the Home Stake Number 1 well, located in
22 the southwest southwest of Section 28, and attempt a new
23 Strawn completion. That attempt was unsuccessful, and they
24 desire to attempt to horizontally drill the well in a due
25 east direction from the Home Stake Well Number 1 in an

1 effort to salvage this property.

2 By needing to drill to the east, they need to
3 pool, instead of the west half of the southwest quarter,
4 the south half of that quarter section. The horizontal
5 drilling portion of the case is before the Division on an
6 administrative application.

7 As you may recall, the ownership in the southwest
8 quarter of Section 28 is common throughout. Working,
9 royalty and overriding royalty interest owners are
10 identical.

11 The only people who were being pooled in the
12 original hearing were people who could not be located
13 because, as our testimony showed at that time, back in 1930
14 a Mr. Harry S. Wright conveyed a one-percent mineral
15 interest to over 80 individuals in this acreage. The same
16 owners are -- we're seeking to pool today in the south half
17 of the southwest quarter as were pooled in the west half.
18 Every other interest is voluntarily committed to the well.

19 With the addresses that we had we've attempted to
20 re-notify these people and, as we expected, all of those
21 letters were returned. That re-attempt to notify was at
22 the request of Mr. Stogner. And there is an affidavit that
23 I have presented which shows that we once again have
24 attempted to notify these individuals that we have for the
25 last two years been unable to locate.

1 As we stated before, testified before, the
2 interest attributable to these individuals will be escrowed
3 in the County.

4 And we request, therefore, that based on the
5 record made on September the 4th, that order R-10,873 be
6 amended to provide for pooling of the south half of the
7 southwest quarter of Section 28, Township 16 South, Range
8 37 East.

9 And I would move the admission of Exhibit A,
10 which is our new notice affidavit and attached letters.

11 EXAMINER CATANACH: Okay, Exhibit A will be
12 admitted as evidence.

13 I guess the only question I'd have, Mr. Carr, is
14 concerning well costs. Do we have an amended AFE or --

15 MR. CARR: We can provide the amended AFE. I
16 don't have that with me today.

17 EXAMINER CATANACH: Okay. I think we need to do
18 that, get that into the record.

19 I presume that risk penalty and everything else
20 is to remain the same as it was?

21 MR. CARR: Yes, sir.

22 EXAMINER CATANACH: If you can get the --

23 MR. CARR: They've been trying for two years to
24 locate these individuals. They had 200 names when they
25 started. They've gotten it down to just these individuals,

1 and they have everyone else voluntarily in, and they've
2 gone back to those individuals and advised them that they
3 are going to attempt this horizontal completion.

4 EXAMINER CATANACH: Okay.

5 MR. CARR: And I'll be glad to submit my
6 affidavit from Mr. Pierce, that information, along with the
7 new AFE.

8 EXAMINER CATANACH: Okay. If you can get that
9 into the record, that should --

10 MR. CARR: And advice.

11 EXAMINER CATANACH: With that, do you have
12 anything further?

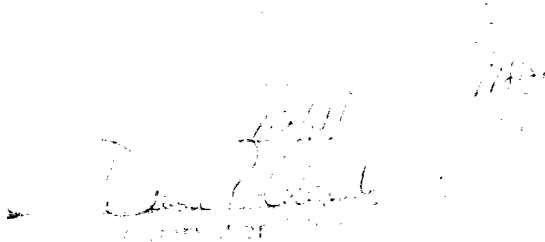
13 MR. CARR: Nothing further.

14 EXAMINER CATANACH: There being nothing further,
15 Case 11,821 will be taken under advisement.

16 (Thereupon, these proceedings were concluded at
17 10:27 a.m.)

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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 7th, 1997.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998