

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:)
APPLICATION OF TRILOGY OPERATING, INC.,)
FOR COMPULSORY POOLING, LEA COUNTY,)
NEW MEXICO)

CASE NO. 12,390

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

May 4th, 2000

Santa Fe, New Mexico

CO MAY 23 AM 5:15

OIL CONSERVATION DIV

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, May 4th, 2000, 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.

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I N D E X

May 4th, 2000
 Examiner Hearing
 CASE NO. 12,390

	PAGE
REPORTER'S CERTIFICATE	7

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E X H I B I T

Applicant's	Identified	Admitted
Exhibit 1	3	6

* * *

A P P E A R A N C E S

FOR THE DIVISION:

LYN S. HEBERT
 Attorney at Law
 Legal Counsel to the Division
 2040 South Pacheco
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
 117 N. Guadalupe
 P.O. Box 2265
 Santa Fe, New Mexico 87504-2265
 By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 8:21 a.m.:

3 EXAMINER CATANACH: Okay, at this time we'll call
4 Case 12,390, the Application of Trilogy Operating, Inc.,
5 for compulsory pooling, Lea County, New Mexico.

6 This case is also styled in the absence of
7 objection, this matter will be taken under advisement.

8 Call for appearances at this time.

9 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
10 the Santa Fe law firm of Kellahin and Kellahin, appearing
11 on behalf of the Applicant.

12 EXAMINER CATANACH: Call for additional
13 appearances. If there are no additional appearances in
14 this case, Mr. Kellahin?

15 MR. KELLAHIN: Mr. Examiner, this case is
16 presented to you pursuant to Division Rule 1207.A.(1). As
17 you know, that is the process by which an Applicant, if
18 there is no objection to a compulsory pooling case and
19 where certain parties are not to be located despite the
20 Applicant's diligent effort to find those parties, the
21 Applicant is provided an opportunity to submit their
22 presentation by affidavit, as opposed to bringing the
23 witnesses here for a presentation before you.

24 The Exhibit Number 1 is organized so that you
25 have available to you all the documentation required under

1 Rule 1207. Briefly, it's organized in this fashion:

2 The first enclosure is a copy of the Application.
3 Behind the Application, then, is a locator plat. As you
4 will see when you review this matter, Trilogy is seeking a
5 compulsory pooling order for any oil production from the
6 surface down to the base of the Abo formation. It's a 40-
7 acre tract, being the northwest quarter of the southeast
8 quarter of this section.

9 Behind the first tab you'll see the spacing unit
10 identified.

11 Behind the locator plat, then, is a list of the
12 interest owners in the 40-acre tract for whom there is no
13 agreement. These are all unleased mineral owners. You'll
14 find when you review this matter that their interest is
15 undivided in the southeast quarter, so the 40-acre tract
16 will be the same ownership as the southeast quarter.

17 If there is an address, that address represents
18 Trilogy's best effort to find the most current and accurate
19 address for that company or individual. They searched the
20 county records, they used the various Internet searching
21 systems to determine if there was a means to locate these
22 parties for whom there is no address. And if you'll see,
23 there is a notation next to certain interest owners to show
24 that despite having located an accurate address to send
25 them certified mail, got the green back, there has been no

1 response.

2 So the parties to be pooled are listed on Exhibit
3 A. Behind Exhibit A is the certificate of notification for
4 hearing today, plus copies of the green card.

5 You then get to the affidavit. It's organized
6 this way: It's a composite affidavit signed off by a
7 petroleum landman, petroleum geologist and a petroleum
8 engineer, each one attesting to the various portions of a
9 pooling application within their expertise. And then
10 there's individually coded tabs that show for each of those
11 disciplines the information.

12 For example, when you turn behind the geologic
13 tab, there is a written geologic report. They attach the
14 various geologic displays to support their conclusion that
15 the entry of a pooling order in this case justifies the
16 maximum risk factor penalty, and you can see by reading
17 that narrative what they are basing that conclusion on.

18 There are four possible reservoirs that might
19 available at this location for production: the Abo, the
20 Drinkard and then the Tubb and the Blinebry. The Tubb and
21 the Blinebry represent secondary objectives, the Drinkard
22 and the Abo are the primary targets. There is substantial
23 risk associated with each of those reservoirs, and it's
24 described for you in the exhibit book.

25 The engineering data attests to the accuracy and

1 reliability of the AFE, and then there's the accounting
 2 documentation showing proposed overhead rates. In this
 3 instance, the operator is requesting \$4500 a month for a
 4 drilling overhead rate and \$450 a month for a producing
 5 overhead rate.

6 It is our position that Trilogy Operating Company
 7 has complied with the requirements of 1207, and we request
 8 that you admit at this time their Exhibit Number 1.

9 EXAMINER CATANACH: Exhibit Number 1 will be
 10 admitted as evidence.

11 Anything further, Mr. Kellahin?

12 MR. KELLAHIN: No, sir.

13 EXAMINER CATANACH: All right, there being
 14 nothing further in this case, Case 12,390 will be taken
 15 under advisement.

16 (Thereupon, these proceedings were concluded at
 17 8:25 a.m.)

18 * * *

19
 20
 21 I hereby certify that the foregoing is
 22 a complete record of the proceedings in
 the Examiner hearing of Case 12390,
 heard by me on May 4, 1980.
 23 David M. Catnach, Examiner
 24 Of Conservation Division
 25

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 ~~May~~ 8th, 2000.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002