

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. 12,402

APPLICATION OF DEVON ENERGY OPERATING)
COMPANY, L.P., TO AMEND DIVISION ORDER)
NO. R-11,264 AND FOR COMPULSORY POOLING,)
LEA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

May 4th, 2000

Santa Fe, New Mexico

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. 12,402

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APPLICANT'S WITNESS:	
<u>CARLA WOOD</u> (Landman)	
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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* * *

1 WHEREUPON, the following proceedings were had at
2 10:15 a.m.:

3 EXAMINER CATANACH: Okay, we'll call the hearing
4 back to order. We're going to go a little bit out of order
5 here. We're going to call Case 12,402 at this time, which
6 is the Application of Devon Energy Operating Company, L.P.,
7 to amend Division Order Number R-11,264 and for compulsory
8 pooling, Eddy County, New Mexico.

9 Call for appearances in this case.

10 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
11 representing the Applicant. I have one witness.

12 EXAMINER CATANACH: Any additional appearances?

13 Will the witness please stand to be sworn in?

14 (Thereupon, the witness was sworn.)

15 CARLA WOOD,

16 the witness herein, after having been first duly sworn upon
17 her oath, was examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q. Would you please state your name and city of
21 residence?

22 A. My name is Carla Wood, and I live in Oklahoma
23 City.

24 Q. Who do you work for and in what capacity?

25 A. I work for Devon Energy Corporation as a senior

1 petroleum landman.

2 Q. Have you previously testified before the
3 Division?

4 A. Yes, I have.

5 Q. And were your credentials as an expert petroleum
6 landman accepted as a matter of record?

7 A. Yes, they were.

8 Q. And are you familiar with the land matters
9 involved in this case?

10 A. Yes, I am.

11 MR. BRUCE: Mr. Examiner, I tender the witness as
12 an expert petroleum landman.

13 EXAMINER CATANACH: Ms. Wood is so qualified.

14 Q. (By Mr. Bruce) What does Devon seek in this
15 case?

16 A. Devon seeks an order amending Order Number
17 R-11,264 and pooling the south half of Section 7, 24 South,
18 25 East, from the surface to the base of the Morrow
19 formation.

20 Q. What well units do you seek to pool?

21 A. We seek to pool the south half for all pools or
22 formations spaced on 320 acres, the south half for all
23 pools or formations spaced on 160 acres.

24 Q. The southwest quarter?

25 A. Yes, southwest quarter, I'm sorry.

1 Q. What is Exhibit 1?

2 A. Exhibit 1 is a land plat of the area, with the
3 well unit outlined. The well is at an orthodox location,
4 1836 feet from the south line and 2000 feet from the west
5 line of Section 7.

6 Q. What is the history of this well?

7 A. This unit was originally pooled by KCS Medallion
8 Resources, Inc., for the State 7 Well Number 2. Devon
9 assumed operations, and the Number 2 well was timely
10 commenced. After drilling about 600 feet, the hole was
11 lost and we had to start the Number 2 Y well about 200 feet
12 from the original location. This was a different well than
13 the order provided for and was started after the
14 commencement deadline, and as a result we seek to amend the
15 order to re-pool the acreage for the new well.

16 Q. Who do you seek to pool?

17 A. Central Resources, Inc.; RKC, Inc., and Toreador
18 Exploration, which are the same parties pooled by the
19 original owner, and they own a combined 25 percent of the
20 320-acre unit.

21 Q. Did Devon inform these three interest owners of
22 what happened to the original well?

23 A. Yes, we wrote the parties informing them of the
24 lost hole and asked them to confirm their nonconsent
25 status. Each party agreed to be nonconsent in the Number

1 2 Y well, and Exhibit 2 contains our letters signed by each
2 of the nonconsenting parties.

3 Q. Based on these letters, is a new election period
4 required under an amended order?

5 A. No.

6 Q. And these three parties were notified of the
7 hearing, were they not?

8 A. Yes, they were.

9 Q. Exhibit 3 is my affidavit of notice?

10 A. Yes.

11 Q. Would you identify Exhibit 4 and discuss the cost
12 of the Number 2 Y well?

13 A. Exhibit 4 is the copy of the AFE for the well,
14 and it is a proposed 11,000-foot Morrow test with an
15 estimated completed well cost of \$876,700.

16 Q. Is this cost in line with the cost of other wells
17 drilled to this depth in this area of New Mexico?

18 A. Yes.

19 Q. And does Devon request that it be designated
20 operator of the well?

21 A. Yes.

22 Q. Does Devon request that the remaining provisions
23 of Order Number R-11,264 be adopted in the new order?

24 A. Yes.

25 Q. And were Exhibits 1 through 4 prepared by you or

1 under your supervision or compiled from company business
2 records?

3 A. Yes.

4 Q. In your opinion, is the granting of Devon's
5 Application in the interests of conservation and the
6 prevention of waste?

7 A. Yes.

8 MR. BRUCE: Mr. Examiner, we'd move the admission
9 of Exhibits 1 through 4.

10 EXAMINER CATANACH: Exhibits 1 through 4 will be
11 admitted as evidence.

12 EXAMINATION

13 BY EXAMINER CATANACH:

14 Q. Ms. Wood, the only three parties you're pooling,
15 again, are Central Resources, RKC and Toreador?

16 A. Yes.

17 Q. And each of these parties went nonconsent on the
18 first well?

19 A. Correct.

20 Q. And each of these parties has agreed to remain
21 nonconsent on the second well?

22 A. Yes.

23 Q. Would that suffice for me not to put an election
24 period in this new order? They are not going to be
25 voluntary participants in the well?

1 A. Correct. We invited them, if they were going to
2 participate, to go ahead and participate. But if -- We
3 wanted their election prior to this hearing.

4 Q. So you've given them the opportunity to
5 participate?

6 A. Right.

7 Q. And they have declined?

8 A. Yes.

9 Q. So we don't need to give them an additional time
10 period, in your opinion --

11 A. Correct.

12 Q. -- to participate?

13 And they've actually signed off on that; is that
14 correct?

15 A. That's true.

16 Q. And that's all three parties?

17 A. Uh-huh.

18 Q. Okay. What do you guys do with the costs that
19 have already been incurred with the first well?

20 A. Well, the cost of the original well will not be
21 included in the payout balance for the replacement well.

22 Q. So those will not be charged to the interest
23 owners?

24 A. Right, to the nonconsent.

25 Q. And you've already commenced drilling the well?

1 A. Yes. The 2 Y well spud on March 31st. In fact,
2 is being logged right now.

3 Q. I'm sorry, they're logging it?

4 A. Uh-huh.

5 Q. Okay. Same overhead charges, same risk penalty,
6 I assume?

7 A. Correct.

8 EXAMINER CATANACH: Okay, I have nothing further.
9 Mr. Bruce?

10 MR. BRUCE: I have nothing further, Mr. Examiner.

11 EXAMINER CATANACH: You may be excused.

12 There being nothing further, Case 12,402 will be
13 taken under advisement.

14 (Thereupon, these proceedings were concluded at
15 10:21 a.m.)

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12402
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David H. Catanach
C. H. Catanach, Jr.

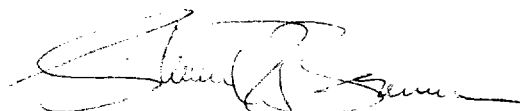
CERTIFICATE OF REPORTER

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 10th, 2000.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002