

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. 12,559

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 21st, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, December 21st, 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.

* * *

I N D E X

December 21st, 2000
 Examiner Hearing
 CASE NO. 12,559

	PAGE
REPORTER'S CERTIFICATE	10

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	3	6
Exhibit 2	4	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 STOGNER: At this time I will call Case
4 Number 12,599, which is the Application of Trilogy
5 Operating, Inc., for compulsory pooling, Lea County.

6 Call for appearances.

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

10 EXAMINER STOGNER: Any other appearances?

11 I believe this was styled in the absence of
12 objection that this case would be taken under advisement.

13 What do you have at this time, Mr. Kellahin?

14 MR. KELLAHIN: Mr. Examiner, Trilogy is asking
15 the Division to process this compulsory pooling case in
16 accordance with Division Rule 1207.A(1)(b). You'll recall
17 that this is an expedited process where the Applicant
18 through counsel may submit its technical evidence in
19 support of the Application in affidavit form. I'm here to
20 make that presentation to you, Mr. Stogner.

21 EXAMINER STOGNER: Okay, you may proceed.

22 MR. KELLAHIN: Mr. Stogner, Exhibit 1 is Trilogy
23 Operating, Inc.'s, exhibit book package. It is subdivided
24 into the Application information, then the land details.
25 There is a four-page geologic narrative in the attached

1 exhibit, and then finally the engineering information.

2 Exhibit Number 2 is the certificate of mailing
3 that I have attested to, showing that we have served the
4 parties to be pooled in this case.

5 For your information, Trilogy asks the Division
6 to enter a compulsory pooling case for a 40-acre oil
7 spacing unit. It's going to be the northwest of the
8 southeast of Section 1, Township 20 South, Range 38 East.
9 The Applicant is seeking to have the opportunity to test
10 four oil zones. They're going to be the Abo, the Drinkard,
11 the Tubb and the Blinebry.

12 When you review the geologic information, the
13 geologist in his affidavit attested to the fact that he
14 believes the risk factor penalty in this area justifies the
15 maximum 200 percent, and he's taken some effort to take you
16 through each of the four intervals, and he describes to you
17 the reasons for his position.

18 Attached to that is the engineering summary,
19 which shows the cost of the well. You'll also find behind
20 the geologic summary there is an analysis of the cost and
21 the reserve potential. So as you look at the geology you
22 will recognize the engineering witness has included his
23 information within the content of that summary.

24 To show you the parties we're asking to be
25 pooled, if you'll turn to the Application tab and look at

1 the last page, there's an Exhibit A. If you'll look down
2 at the bottom, Home Stake Oil and Gas Company, I'm advised
3 by Trilogy that Home Stake and Trilogy have now entered
4 into an agreement, and we would ask that you delete Home
5 Stake from the effects of a pooling application.

6 There remains, then, three individuals or parties
7 for which there is an address. You'll see by the
8 affidavit, Exhibit 2, that all three of those received
9 their notice, they were served with a copy of this
10 Application, and as of this morning, none of the three have
11 responded.

12 The additional parties are individuals that
13 appear to have unleased mineral interests of record for
14 which there is no current available address. The affidavit
15 by the landman, Mr. Jerry Weant, which is the first
16 submittal behind exhibit tab for Application, attests to
17 the efforts he has made to find and locate these
18 individuals, and he describes that for you.

19 Trilogy asks that you adopt as overhead rates the
20 rates that are used by Ernst and Young. He includes a copy
21 of the Ernst and Young tabulation of costs, and for this
22 well at this depth it is a monthly drilling well rate of
23 \$4500 and a monthly producing well rate of \$450.

24 Trilogy has processed three or four cases in this
25 matter. The three witnesses that have attested to the

1 affidavit have done this in the past, in prior cases, and
2 they're all knowledgeable about the Division's process and
3 requirements under this particular rule.

4 With your permission, then, Mr. Examiner, we
5 would move the introduction of Trilogy's Exhibits 1 and 2.

6 EXAMINER STOGNER: Exhibits 1 and 2 will be
7 admitted into evidence at this time.

8 You stated that there were how many parties with
9 unknown addresses?

10 MR. KELLAHIN: I didn't give you the exact
11 number. I can count them for you.

12 EXAMINER STOGNER: I thought I heard you say
13 three, and I was counting 6, if I look at Exhibit A.

14 MR. KELLAHIN: There are three that we had
15 addresses on, and there are six for whom we have no
16 addresses.

17 EXAMINER STOGNER: Okay, then I heard you wrong.
18 Okay, so you had three with addresses. And that's not
19 including Home Stake, which has agreed?

20 MR. KELLAHIN: Yes, sir, they've dropped off the
21 list.

22 EXAMINER STOGNER: For the record, the parties
23 with Trilogy that put this information together, are they
24 identified by name?

25 MR. KELLAHIN: Yes, sir, the affidavit is a

1 composite affidavit. If you'll look behind the Application
2 tab, you'll see the affidavit is by Mr. Weant -- Mr. Weant
3 is a petroleum landman, Mr. Hall is the geologist, Mr.
4 Mooney is the engineer. And they describe for you their
5 qualifications on the first page.

6 EXAMINER STOGNER: And what will be the name of
7 this well?

8 MR. KELLAHIN: This should be the Howser Well
9 Number 1.

10 EXAMINER STOGNER: Well, when I look behind the
11 Land tab, it talks about Howser Number 2. Or is this
12 another well in another quarter-quarter section?

13 MR. KELLAHIN: You're correct, Mr. Examiner. Mr.
14 Weant has inadvertently included the wrong letters. This
15 is the Howser 2 he's given you letters on, and that is not
16 this spacing unit, so I need to withdraw these and submit
17 to you the Howser 1 letters. I should have caught that, I
18 apologize, I didn't see it. So we'll get you the
19 replacement letters for the Howser 1.

20 EXAMINER STOGNER: Okay, so with this knowledge,
21 what is correct, then, in this booklet?

22 MR. KELLAHIN: All the information with the
23 exception of copies of the well-proposal letters, which are
24 dated October 17th; that is for a different well. The well
25 we're asking for the pooling order on is the Howser 1.

1 It's the northwest of the southeast of 1.

2 I'll reconfirm that with Mr. Weant, Mr. Stogner,
3 to make sure we've got the right well name for this stuff.

4 EXAMINER STOGNER: Okay, and I'm looking behind
5 the Geology tab. It talks about the Howser Number 2 also.

6 MR. KELLAHIN: Yes, sir, there's the Howser 1 and
7 the Howser 2, so I'll need to go through this and make sure
8 that there are no mistakes in the reference to the wells.

9 There's also a Dreessen Number 1 well. So there
10 are three wells in this area.

11 EXAMINER STOGNER: And let's see, also I note the
12 Engineering tab also refers to the Howser 2.

13 I'll leave the record open in this matter for
14 your resubmittal with the correct information, if you will
15 see that our court reporter also gets that, so the official
16 record will show?

17 MR. KELLAHIN: I'll do that, Mr. Examiner.

18 EXAMINER STOGNER: After submittal of that,
19 should there be any questions or concerns, we may need to
20 continue this matter to another time, or leave the record
21 open for submittal of written statements or whatever is
22 needed to correct everything in this matter.

23 MR. KELLAHIN: I'll advise you before the end of
24 the day today, Mr. Stogner, as to whether or not there's a
25 need to make any corrections.

1 EXAMINER STOGNER: Thank you, Mr. Kellahin.
2 That concludes this presentation in 12,559.
3 Is there anything further in Case 12,559 at this
4 time?

5 Again, I'll keep the record open.

6 (Thereupon, these proceedings were concluded at
7 8:30 a.m.)

8 * * *

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

12559
21 Dec. 2000
Michael E. Stogner

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 21st, 2000.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002