

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 SAMSON RESOURCES COMPANY)
FOR COMPULSORY POOLING, LEA COUNTY,)
NEW MEXICO)

CASE NO. 13,213

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

RECEIVED

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

FEB 19 2004

February 5th, 2004

Santa Fe, New Mexico

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, February 5th, 2004, 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.

* * *

I N D E X

February 5th, 2004
 Examiner Hearing
 CASE NO. 13,213

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APPLICANT'S WITNESS:	
<u>ELIZABETH E. MOSES</u> (Landman)	
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A P P E A R A N C E S

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 9:30 a.m.:

3 EXAMINER JONES: Okay, let's call Case 13,213,
4 Application of Samson Resources Company for compulsory
5 pooling, Lea County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
8 representing the Applicant. I have one witness to be
9 sworn.

10 EXAMINER JONES: Any other appearances?
11 Will the witness please stand to be sworn?
12 (Thereupon, the witness was sworn.)

13 ELIZABETH E. MOSES,
14 the witness herein, after having been first duly sworn upon
15 her oath, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. BRUCE:

18 Q. Would you please state your name for the record?

19 A. Elizabeth Moses.

20 Q. Where do you reside?

21 A. Midland, Texas.

22 Q. What's your occupation?

23 A. Petroleum landman.

24 Q. And what's your relationship to Samson?

25 A. I'm a consulting landman for Samson.

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

3 A. Yes, I have.

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

6 A. Yes, they were.

7 Q. And are you familiar with the land matters
8 involved in this Application?

9 A. Yes.

10 MR. BRUCE: Mr. Examiner, I'd tender Ms. Moses as
11 an expert petroleum landman.

12 EXAMINER JONES: Ms. Moses is so tendered. Thank
13 you.

14 Q. (By Mr. Bruce) Would you please identify Exhibit
15 1 and describe briefly what Samson seeks in this case?

16 A. Exhibit 1 is a Midland map depicting the south
17 half of Section 8 of Township 21 South, 35 East, in Lea
18 County, New Mexico, which is a unit that Samson seeks to
19 pool to produce from the Morrow formation.

20 Q. We're actually seeking to pool all 320-acre well
21 units, are we not, Ms. Moses --

22 A. Yes.

23 Q. -- not just the Morrow?

24 A. Yes.

25 Q. Okay. Now, what is the leasehold ownership?

1 What acreage does Samson own?

2 A. Samson owns 100 percent of the leasehold in the
3 south half of the southeast quarter.

4 Q. Okay, and who owns the remaining acreage?

5 A. OXY.

6 Q. And is the working interest ownership then set --
7 for a 320-acre unit set forth on the second page of Exhibit
8 1?

9 A. Yes, it is.

10 Q. Okay. Are we also here today seeking pooling of
11 any potential 160-acre spacing units?

12 A. Yes.

13 Q. Okay. Ownership of those would be 50-50, OXY and
14 Samson; is that correct?

15 A. Yes.

16 Q. Okay. What well is involved?

17 A. It's the proposed Dilly Bar State Number 1.

18 Q. What's the footage location of the well?

19 A. 760 feet from the south line and 1840 feet from
20 the east line.

21 Q. Okay, let's discuss -- and again, we're pooling,
22 just so the full name is on the record, we're here today
23 pooling OXY USA WTP Limited Partnership; is that correct?

24 A. Yes.

25 Q. Okay, let's discuss your efforts to obtain the

1 voluntary joinder of OXY. What is Exhibit 2?

2 A. Exhibit 2 begins with a letter dated July 8th,
3 2003, from Samson to OXY.

4 Q. And that was requesting a term assignment or a
5 farmout?

6 A. Yes, it was.

7 Q. Okay, so you started this process over a half a
8 year ago?

9 A. Yes.

10 Q. Then you followed up with another letter?

11 A. Several phone calls, yes, then another letter.

12 Q. Oh, okay. The second page of this exhibit, is
13 that the actual well proposal to OXY?

14 A. Yes, it is.

15 Q. Because you couldn't get a farmout or a term
16 assignment?

17 A. No.

18 Q. Okay. And again, were there several phone calls
19 with OXY?

20 A. Over a dozen phone calls.

21 Q. And they just never said yes or no?

22 A. No, they had not evaluated it and could not give
23 an answer.

24 Q. Now, the final page of Exhibit 2 gives them
25 notice of a change in location; is that correct?

1 A. Yes.

2 Q. The original location for the well was -- What
3 was the original footage location for the well?

4 A. It was 660 from the south line and 1980 from the
5 east line.

6 Q. And it had to be moved slightly due to what
7 factor?

8 A. There was a pipeline running through the proposed
9 location.

10 Q. Okay. But the location is still orthodox, is it
11 not?

12 A. Yes.

13 Q. Okay. In your opinion, has Samson made a good-
14 faith effort to obtain the voluntary joinder of OXY in the
15 well?

16 A. Yes.

17 Q. Would you identify Exhibit 3 and discuss the cost
18 of the proposed well?

19 A. Yes, that's Samson's AFE for drilling this well.
20 The proposed total depth is 12,600 feet, the dryhole cost
21 is \$1,260,563, the completed well cost is \$1,834,033.

22 Q. And is this cost in line with the cost of other
23 wells drilled to this depth in this area of Lea County?

24 A. Yes.

25 Q. Does Samson request that it be named operator of

1 the well?

2 A. Yes.

3 Q. And do you have a recommendation for the amounts
4 which should be paid to Samson for supervision and
5 administrative expense?

6 A. Yes, \$6500 for a drilling well and \$650 a month
7 for a producing well.

8 Q. And are these amounts equivalent to those charged
9 by Samson and other operators in this area for wells of
10 this depth?

11 A. Yes.

12 Q. Do you request that this rate be adjusted
13 periodically as provided by the COPAS accounting procedure?

14 A. Yes.

15 Q. And does Samson also request the maximum cost-
16 plus-200-percent risk charge?

17 A. Yes.

18 Q. And finally, was OXY notified of this hearing?

19 A. Yes.

20 Q. And Exhibit 4 is my affidavit of notice?

21 A. Yes.

22 Q. Were Exhibits 1 through 4 prepared by you or
23 under your supervision or compiled from company business
24 records?

25 A. Yes.

1 Q. And in your opinion is the granting of this
2 Application in the interests of conservation and the
3 prevention of waste?

4 A. Yes.

5 MR. BRUCE: Mr. Examiner, I move the admission of
6 Samson's Exhibits 1 through 4.

7 EXAMINER JONES: Exhibits 1 through 4 will be
8 admitted into evidence.

9 EXAMINATION

10 BY EXAMINER JONES:

11 Q. So, Ms. Moses, you guys are going for the south
12 half and the southeast quarter, right?

13 A. Yes.

14 Q. Southeast quarter for Wolfcamp?

15 A. Yes, or anything --

16 Q. -- associated --

17 A. -- anything that would be on 160 acres, yes.

18 Q. But your main target is the Osudo-Morrow?

19 A. Is the Morrow, yes.

20 Q. 12,600 feet, and the name you want to be on the
21 operator is exactly what? Is it just Samson Resources
22 Company?

23 A. Yes, sir.

24 Q. And the only people that you had to notice for
25 this was OXY?

1 A. Yes.

2 Q. Because they have everything else leased up; is
3 that right? Besides --

4 A. Yes, that acreage that we don't own is under one
5 lease held by OXY.

6 Q. And we have a track record of a notice to OXY --
7 You showed me that.

8 When was the first letter written to them?

9 A. July, 2003.

10 Q. Okay. And you do get correspondence back from
11 them, but it's just that they haven't looked at it; is that
12 right?

13 A. I haven't received any written correspondence.
14 It's very many telephone calls.

15 Q. Now, where do you notice OXY at? Is it in
16 Midland, so you don't send it their Houston office, just
17 their Midland office?

18 A. No, their Midland office.

19 Q. Is the one -- pertinent office to send it to,
20 right?

21 A. Yes.

22 Q. Okay, let's see here. Again, we don't talk about
23 penalty anymore because there's a new rule on penalties,
24 but we may still put it in as a finding. I think that's
25 what our Director wants us to do.

1 And I think you guys have covered everything, and
2 good luck with the well.

3 A. Thank you.

4 EXAMINER JONES: Good luck on the unit.

5 And with that, we'll take Case 13,123 under
6 advisement.

7 THE WITNESS: Thank you.

8 (Thereupon, these proceedings were concluded at
9 9:42 a.m.)

10 * * *

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13
14
15 I do hereby certify that the foregoing is
16 a complete record of the proceedings in
17 the Examiner hearing of Case No. _____,
18 heard by me on _____.

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22
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_____, Examiner
Oil Conservation Division

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 February 6th, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006