

DOCKET: EXAMINER HEARING - THURSDAY - APRIL 15, 2004

8:15 A.M. - 1220 South St. Francis

Santa Fe, New Mexico

Docket Nos. 12-04 and 13-04 are tentatively set for April 29, 2004 and May 13, 2004. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner.

CASE 13247: Application of Chesapeake Permian, L.P. for Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the SE/4 NW/4 of Section 3, Township 13 South, Range 38 East, forming a standard 40-acre oil spacing and proration unit from any production for any and all formations/pools developed on 40-acre spacing within that vertical extent, including the Bronco-Wolfcamp Pool. This unit is to be dedicated to its Harris 3-C Well No. 1 that is to be drilled at a standard location in Unit F of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well. This unit is located approximately 14 miles northeast of Tatum, New Mexico.

CASE 13248: Application of Chi Energy, Inc. for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 3, Township 22 South, Range 26 East, NMPM, and in the following manner: The S $\frac{1}{2}$ to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Happy Valley-Strawn Gas Pool, Undesignated Happy Valley-Atoka Gas Pool, and Undesignated Happy Valley-Morrow Gas Pool; and the SE $\frac{1}{4}$ to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent. The units are to be dedicated to applicant's WC 3 Well No. 3, to be located at an orthodox location in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chi Operating, Inc. as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 3 miles west of Carlsbad, New Mexico.

CASE 13218: Continued from March 18, 2004, Examiner Hearing

Application of Concho Resources Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S/2 of Section 17, Township 19 South, Range 33 East, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Buffalo-Pennsylvanian Gas Pool, Undesignated Tonto-Atoka Gas Pool, and Undesignated Gem-Morrow Gas Pool. The unit will be dedicated to applicant's Excalibur "17" Fed. Com. Well No. 1, to be located at an orthodox location in the SE/4 SE/4 of Section 17. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 15 $\frac{1}{2}$ miles south-southeast of Maljamar, New Mexico.

CASE 13217: Continued from April 1, 2004, Examiner Hearing.

Application of Concho Resources Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 21, Township 21 South, Range 35 East, and in the following manner: The W/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated North Grama Ridge-Wolfcamp Gas Pool and Undesignated South Osudo-Morrow Gas Pool; the NW/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent, including the Undesignated North San Simon-Yates Associated Pool and Undesignated South Osudo-Wolfcamp Pool; and the SW/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the Undesignated North San Simon-Yates Associated Pool. The units are to be dedicated to applicant's San Simon State Com. Well No. 2, to be located at an orthodox location in the SW/4 NW/4 of Section 21. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 7 miles southwest of Oil Center, New Mexico.

Case No. 13217

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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

CONTINUED AND DISMISSED CASES

RECEIVED

APR 29 2004

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

April 15th, 2004

Santa Fe, New Mexico

These matters came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, April 15th, 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.

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STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

April 15th, 2004
Continued and Dismissed Cases

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1 WHEREUPON, the following proceedings were had at
2 8:18 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order. Please note today's date, April 15th, 2004, Docket
5 Number 11-04. I'm Michael Stogner, appointed Hearing
6 Officer for today's cases.

7 Continuances and dismissals.

8 Let's start with page 2 on top, Case 13,249, this
9 is the Application of Thunderbolt Petroleum to increase the
10 maximum surface injection pressure on a waterflood in Eddy
11 County, New Mexico. This case will be continued to June
12 10th.

13 The one below it, Case 13,232, is the Application
14 of Marbob Energy Corporation for an order authorizing the
15 drilling of a well in the potash area, Eddy County, New
16 Mexico. This case will be continued to April 29th.

17 Let's go down to the fourth one on page 2, that's
18 Case 13,245, which is the Application of Yates Petroleum
19 Corporation for compulsory pooling, Eddy County, New
20 Mexico. This case will be dismissed.

21 Down at the bottom, Case 13,236, this is the
22 Application of Preston Exploration, L.L.C., for compulsory
23 pooling, Eddy County, New Mexico. This case will be
24 continued to April 29th.

25 On page 3, this is the Application of Preston

1 Exploration, L.L.C., for compulsory pooling, Eddy County,
2 New Mexico, which is Case 13,246. This case will be
3 dismissed also.

4 The next one, Case 13,165, this is the
5 Application of the Oil Conservation Division for an order
6 requiring EnergyPro, Inc., to properly plug a certain well
7 in Lea County, New Mexico. This case will be continued to
8 May 13th.

9 Let's go over to page four. Case 13,238, this is
10 the Application of Vernon E. Faulconer and Faulconer
11 Energy, General Partner, L.L.C. This is a request for an
12 emergency order in Eddy County, New Mexico. This case will
13 be dismissed.

14 Are there any other continuances and/or
15 dismissals at this time?

16 MR. BRUCE: Mr. Examiner, on page 1 --

17 EXAMINER STOGNER: Page 1.

18 MR. BRUCE: -- the first Concho Resources case.

19 EXAMINER STOGNER: That's Case 13,218?

20 MR. BRUCE: Yes, sir. I would request that that
21 be continued for four weeks.

22 EXAMINER STOGNER: Four weeks. Okay, I didn't
23 bring my calendar. What's that going to be continued to?
24 May 13th?

25 MR. BRUCE: May 13th.

1 EXAMINER STOGNER: Okay, at the request of Concho
2 Resources, Case 13,218 will be continued May 13th.

3 MR. BRUCE: And then the next case, ~~13,217~~ --

4 EXAMINER STOGNER: Yes.

5 MR. BRUCE: -- ~~this case has been heard.~~ Mr.
6 Carr represented a certain interest owner, and we are
7 waiting for the final agreement between Concho, now
8 Chesapeake, and Mr. Carr's client to be signed. I'd ask
9 that the case be continued for two weeks and then be taken
10 under advisement at that time.

11 EXAMINER STOGNER: Okay, so one more time, Case
12 ~~13,217~~, which is the Application of Concho Resources, Inc.,
13 for compulsory pooling. Mr. Carr's in the room. Who did
14 you represent in that case?

15 MR. CARR: I represent Derrel Melton, who is a
16 working interest owner. We have been talking with Concho.
17 We now have agreed to the terms of a term assignment, and
18 also have completed a side agreement concerning the well
19 location. The documents are just pending approval by the
20 Concho management at this time, and we are -- we believe
21 we'll have them easily signed within the next two weeks.

22 MR. BRUCE: And then in two weeks we'd ask that
23 it be taken under advisement. There were several other
24 small interest owners who still need to be pooled.

25 EXAMINER STOGNER: Okay, at the request of the

1 Application, and with the agreement of Mr. Carr's clients,
2 Case 13,217 will be continued to April 29th.

3 Any other continuances or dismissals?

4 Before I call the first case today, I had a
5 request by the Applicant in Case 13,237 -- that's over on
6 page 3 -- that they would not be here until 1:30. So
7 whatever happens this morning, we will take a recess till
8 1:30 to hear Case 13,237. So if anybody is in the room
9 just for that case, feel free to leave, and we can see you
10 at 1:30. With all the dismissals and continuances, I
11 anticipate the other cases, we will be done by this
12 morning.

13 (Thereupon, these proceedings were concluded at
14 8:21 a.m.)

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18 I do hereby certify that the foregoing is
19 a complete record of the proceedings in
20 the Examiner hearing of Case No. 13217,
21 heard by me on 15 April 2004.
22 [Signature], Examiner
23 Oil Conservation Division
24
25

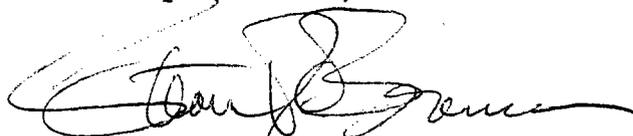
CERTIFICATE OF REPORTER

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 April 15th, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006