

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 PERMIAN RESOURCES, )  
INC., FOR SPECIAL POOL RULES OR, )  
ALTERNATIVELY, FOR AN UNORTHODOX )  
WELL LOCATION, LEA COUNTY, NEW MEXICO )

CASE NO. 13,144

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

RECEIVED

JAN 22 2004

BEFORE: DAVID R. CATANACH, Hearing Examiner

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

January 8th, 2004

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, January 8th, 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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## I N D E X

January 8th, 2004  
 Examiner Hearing  
 CASE NO. 13,144

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## A P P E A R A N C E S

## FOR THE APPLICANT:

MILLER, STRATVERT P.A.  
 150 Washington  
 Suite 300  
 Santa Fe, New Mexico 87501  
 By: J. SCOTT HALL

## FOR EOG RESOURCES:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
 110 N. Guadalupe, Suite 1  
 P.O. Box 2208  
 Santa Fe, New Mexico 87504-2208  
 By: MICHAEL H. FELDEWERT

## FOR YATES PETROLEUM CORPORATION:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
 110 N. Guadalupe, Suite 1  
 P.O. Box 2208  
 Santa Fe, New Mexico 87504-2208  
 By: WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 8:22 a.m.:

3           EXAMINER CATANACH: At this time I'll call Case  
4 13,144, which is the Application of Permian Resources,  
5 Inc., for special pool rules or, alternatively, for an  
6 unorthodox well location, Lea County, New Mexico.

7           Call for appearances in this case.

8           MR. HALL: Mr. Examiner, Scott Hall, Miller  
9 Stratvert, P.A., of Santa Fe on behalf of the applicant,  
10 Permian Resources, Incorporated.

11           If the Examiner will permit me, I'd like to make  
12 a speaking motion in connection with this case.

13           EXAMINER CATANACH: Okay, let me see -- Are there  
14 any additional appearances in this case?

15           MR. FELDEWERT: Mr. Examiner, Michael Feldewert  
16 with the Santa Fe office of the law firm of Holland and  
17 Hart. We've appeared in this case on behalf of EOG  
18 Resources previously, but I understand Mr. Hall is going to  
19 make a motion that should alleviate that hearing here  
20 today.

21           EXAMINER CATANACH: Thank you, Mr. Feldewert.

22           MR. CARR: May it please the Examiner, William F.  
23 Carr, also with Holland and Hart, and I have been asked to  
24 enter an appearance in the matter for Yates Petroleum  
25 Corporation.

1 EXAMINER CATANACH: Okay. Anybody else?

2 Okay, Mr. Hall, you may proceed.

3 MR. HALL: Mr. Examiner, this Application was  
4 filed originally in August and received objections from  
5 EOG, represented by Mr. Feldewert, and from the State Land  
6 Office. The State Land Office objected to the unorthodox  
7 bottomhole location. The State is the mineral interest  
8 owner in each running section, Section 14. EOG is the  
9 lessee of that section as well.

10 Throughout the pendency of this proceeding,  
11 Permian has worked with EOG to resolve its objections. In  
12 October Permian received permission from the Division to  
13 drill the well, and pursuant to an interim agreement with  
14 Permian -- or, I'm sorry, with EOG, Permian was allowed to  
15 produce the well for a 30-day test period and share the  
16 test data with EOG for evaluation. That test period was  
17 extended for another 30 days. Since then, Permian has  
18 informed me that the results of the well are quite  
19 disappointing.

20 As a result of that, Permian plans on dismissing  
21 that portion of its Application requesting a change to the  
22 pool rules for the North Shoe Bar-Strawn Pool. It will  
23 maintain its request for an approval of the unorthodox well  
24 location. It would like to obtain that through an  
25 administrative application, but based on the notice that's

1 been given in this hearing case we expect to be able to  
2 provide the Division with a standard administrative  
3 approval package soon. And that package, I hope, will  
4 include a production-restriction agreement that will have  
5 the approval of EOG and now, I presume, Yates.

6 MR. CARR: (Nods)

7 MR. HALL: We'll work with Yates on that as well.

8 I also expect to be able to deliver waiver  
9 letters from both the State Land Office and the two  
10 producing parties to the location.

11 So with that, I would request that the matter be  
12 continued again -- this is the fifth continuance in this  
13 case -- to the February 5th docket, and by that time I  
14 would expect that the processing of the administrative  
15 application should be complete.

16 EXAMINER CATANACH: Is there anything further  
17 that you'd like to -- Okay.

18 Just a couple of things, Mr. Hall. When you  
19 submit the administrative application, will you provide  
20 notice to Yates and EOG?

21 MR. HALL: They've already been notified, I  
22 believe. I'll verify that Yates was notified, but that's  
23 the purpose of keeping this on the docket. I'd like to  
24 stand on the notice that was provided already.

25 EXAMINER CATANACH: So you believe that they have

1 sufficient knowledge about the production penalty and  
2 everything else that's going on with the well?

3 MR. HALL: Well, we're going to work with them to  
4 craft a production-restriction agreement, so that's going  
5 to be a matter of negotiation. But EOG, anyway, has been  
6 provided with the production data.

7 EXAMINER CATANACH: Are those the only two  
8 parties that are entitled to notice in this Application for  
9 the unorthodox location?

10 MR. HALL: The reason I want to stand on the  
11 notice that was given in this case is because my stack of  
12 notice letters is about seven inches thick. So everybody  
13 was notified. I think most of that had to do with the  
14 pool-rules aspect of the case. But everybody that was  
15 entitled to notice for the unorthodox well location was, in  
16 fact, notified with that batch.

17 I can't recite to you here today who all the  
18 offset --

19 EXAMINER CATANACH: Okay, what I would suggest  
20 is, Mike Stogner will probably be processing the  
21 administrative application. Check with him about whether  
22 or not he wants you to submit additional notice with  
23 regards to the unorthodox location before you file it. He  
24 may want you to do that. I don't want you to get tripped  
25 up by that.

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MR. HALL: I've already spoken to him about that,  
so --

EXAMINER CATANACH: Okay, in that case, there  
being nothing further, this case will be continued to the  
February 5th hearing.

MR. HALL: Thank you, sir.

(Thereupon, these proceedings were concluded at  
8:28 a.m.)

\* \* \*

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 13144,  
heard by me on January 8 2004.  
David H. Clark, 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 January 8th, 2004.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006