

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 PURE RESOURCES, L.P., )  
 FOR COMPULSORY POOLING, LEA COUNTY, )  
 NEW MEXICO )

CASE NO. 13,427

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 17th, 2005

Santa Fe, New Mexico

2005 MAR 3 AM 8 09

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, February 17th, 2005, 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 17th, 2005  
 Examiner Hearing  
 CASE NO. 13,427

PAGE

## APPLICANT'S WITNESS:

ROBERT READY (Landman)

Direct Examination by Mr. Bruce 3  
 Examination by Examiner Catanach 10

REPORTER'S CERTIFICATE 13

\* \* \*

## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	4	9
Exhibit 2	6	9
Exhibit 3	9	9

\* \* \*

## 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 10:26 a.m.:

3 EXAMINER CATANACH: Call Case 13,427, Application  
4 of Pure Resources, L.P., for compulsory pooling, Lea  
5 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 CATANACH: Call for additional  
11 appearances.

12 No additional appearances.

13 You may proceed.

14 (Thereupon, the witness was sworn.)

15 MR. BRUCE: Excuse me, Mr. Examiner, I lost  
16 something here.

17 ROBERT READY,  
18 the witness herein, after having been first duly sworn upon  
19 his oath, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q. Would you please state your name and city of  
23 residence for the record?

24 A. Robert Ready, Midland, Texas.

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

1           A.    I work for Pure Resources, L.P., as a land  
2 director.

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

5           A.    Yes, I have.

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

8           A.    Yes, they were.

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

11          A.    Yes, I am.

12               MR. BRUCE:  Mr. Examiner, I tender Mr. Ready as  
13 an expert petroleum landman.

14               EXAMINER CATANACH:  He is so qualified.

15          Q.    (By Mr. Bruce)  Mr. Ready, could you identify  
16 Exhibit 1 for the Examiner and briefly describe what Pure  
17 seeks in this case?

18          A.    Exhibit 1 is a land plat depicting the east half  
19 of Section 19, Township 26 South, Range 35 East, which is  
20 the land we seek to pool, 320 acres for a standard gas  
21 unit, the southeast quarter for 160-acre gas units, and the  
22 northeast southeast for 40-acre production units.

23          Q.    And what well is involved?

24          A.    The well is the Beckham 19 Number 1.

25          Q.    And what is its footage location?

1           A.    The well is 1650 feet from the south line and  
2    1310 feet from the east line.

3           Q.    And that is an orthodox gas well location, is it  
4    not?

5           A.    That's correct.

6           MR. BRUCE:  Mr. Examiner, it is unorthodox for  
7    oil, and we're not requesting any approval for this -- for  
8    the unorthodox oil well location at this time.

9           Q.    (By Mr. Bruce)  But with respect to that, Mr.  
10   Ready, looking at Exhibit 1, what two tracts are involved  
11   in this case?

12          A.    The east half less and except the southeast  
13   quarter of the northeast quarter, and then the balance of  
14   the east half.

15          Q.    Okay.  So in the event there are oil zones,  
16   uphole oil zones, that you discover, even though the well  
17   would be unorthodox, the whole southeast quarter is uniform  
18   in interest; is that correct?

19          A.    The interest in the southeast quarter is uniform.

20          Q.    Okay.  So there wouldn't be any party affected by  
21   an unorthodox location?

22          A.    No, there would not.

23          Q.    Who do you seek to force pool in this matter?

24          A.    We have two unleased mineral owners, Dorchester  
25   Minerals, L.P., and EFS Royalty partners, L.P.

1 Q. And what quantum of interest do they own in this  
2 well unit?

3 A. Dorchester owns 7.875 net acres, being 45 percent  
4 of a 1/16 mineral interest in the 280-acre tract, being the  
5 east half, less and except the southeast of the northeast.  
6 EFS Royalty Partners owns a 9.65 net acre interest in the  
7 same lands, being a 1/16 -- 55 percent of 1/16 mineral  
8 interest.

9 Q. Please discuss your efforts to obtain the joinder  
10 of these parties in the well, and I'd refer you to Exhibit  
11 2.

12 A. We have contacted these parties on numerous  
13 occasions, we have sent lease offers. After pursuing the  
14 lease offers without success we proposed the well,  
15 initially with no response.

16 We then re-proposed the well and have never been  
17 able to obtain an oil and gas lease from these parties or  
18 their joinder in the well.

19 Q. Okay. And Exhibit 2 does contain copies of your  
20 correspondence with these parties?

21 A. Yes, it does.

22 Q. Either by Pure or from Clay Johnson Oil and Gas  
23 Properties, your broker?

24 A. That's correct.

25 Q. Now, the top letter is to Bank One, Texas, and it

1 doesn't mention EFS. What is the relationship?

2 A. Bank One, Texas, is the agent managing the EFS  
3 Royalty Partners mineral interest.

4 Q. Okay. Now, has EFS indicated that they would  
5 lease to you?

6 A. Yes, they have.

7 Q. Okay, but the lease hasn't been finalized?

8 A. The lease has not been finalized.

9 Q. And if they do lease to you, then they would not  
10 be subject to this order?

11 A. That's correct.

12 Q. Now, has Dorchester Minerals recently indicated  
13 to you that it has leased its interest to a third party?

14 A. Yes, they have.

15 Q. But have they told you who the third party is?

16 A. They have not, and nor have we been contacted by  
17 that party.

18 Q. Okay. So the only interest of record belongs to  
19 Dorchester Minerals, and that's who you seek to force pool,  
20 either Dorchester or its unknown lessee?

21 A. That's correct.

22 Q. In your opinion, has Pure made a good faith  
23 effort to obtain the voluntary joinder of these companies  
24 in the well?

25 A. Yes, we have.

1 Q. Now, could you maybe turn -- refer to Exhibit 2,  
2 and two pages from the end there's an AFE. Could you  
3 identify that and discuss the cost of your proposed well  
4 and the depth of the proposed well?

5 A. The well is proposed to a total depth of  
6 approximately 15,500 feet, to test the Atoka formation.  
7 The dryhole cost is \$3,048,000. The total completed well  
8 cost is \$3,868,000, approximately.

9 Q. And is this cost -- and what is the depth of the  
10 well, again?

11 A. Approximately 15,500 feet.

12 Q. Is this cost in line with the cost of other wells  
13 drilled to this depth in this area of Lea County?

14 A. Yes, it is.

15 Q. And does Pure request that it be designated  
16 operator of the well?

17 A. Yes, we do.

18 Q. Do you have a recommendation for the amounts you  
19 should be paid for supervision and administrative expenses?

20 A. Yes, \$6500 a month for a drilling well and \$650 a  
21 month for a producing well.

22 Q. And are these amounts equivalent to those  
23 normally charged by Pure and other operators in this area  
24 for wells of this depth?

25 A. Yes, they are.



1 Q. And do you request that that rate be adjusted  
2 periodically as provided by the COPAS accounting procedure?

3 A. Yes, we do.

4 Q. Does Pure also request the maximum cost-plus-200-  
5 percent risk charge be assessed against any nonconsenting  
6 interest owner?

7 A. Yes, we do.

8 Q. And finally, were the interest owners notified of  
9 this hearing?

10 A. Yes, they were.

11 Q. And is that reflected on the affidavit of notice  
12 submitted as Exhibit 3?

13 A. It is.

14 Q. Were Exhibits 1 through 3 prepared by you or  
15 under your supervision, or compiled from company business  
16 records?

17 A. Yes, they were.

18 Q. And in your opinion, is the granting of this  
19 Application in the interests of conservation and the  
20 prevention of waste?

21 A. Yes, it is.

22 MR. BRUCE: Mr. Examiner, I'd move the admission  
23 of Exhibits 1 through 3.

24 EXAMINER CATANACH: Exhibits 1 through 3 will be  
25 admitted.

## EXAMINATION

1  
2 BY EXAMINER CATANACH:

3 Q. Mr. Ready, are there other interest owners in  
4 this unit who have agreed to participate in the well?

5 A. There is one other working interest owner party.  
6 They are our partner, subject to an existing operating  
7 agreement.

8 Q. And who is that?

9 A. Great Western Drilling, Ltd.

10 Q. Okay, so there's only four -- basically four  
11 working interest owners in this area?

12 A. Four potential working interest owners, yes.

13 Q. Okay. And what percentage do you and Great  
14 Western have in the unit voluntarily committed at this  
15 time?

16 A. I didn't calculate it on a percentage basis.  
17 It's going to be all of the unit except approximately 20  
18 net acres.

19 EXAMINER CATANACH: Okay.

20 MR. BRUCE: It's roughly 94 1/2 percent, Mr.  
21 Examiner.

22 Q. (By Examiner Catanach) Now, the Dorchester  
23 interest, they've informed you that they've leased to  
24 another party.

25 A. Actually, on my inquiry, contacting them, they

1 informed that they had, yes.

2 Q. But they didn't tell you who it was?

3 A. They did not.

4 Q. And it's not of record at this time?

5 A. It is not. I'll say it was not of record as of  
6 the last check, which was approximately a day or two ago.

7 Q. Okay. Within this wellbore, is there the  
8 potential for completing this well as an oil well uphole?

9 A. There is some potential for that, yes.

10 Q. Do you know what formations those are?

11 A. That would be potentially Bone Springs oil and/or  
12 Delaware oil, the most likely being Delaware, although  
13 there is little Delaware production in the area.

14 Q. Okay. The Atoka is the primary target?

15 A. The Atoka and the Strawn.

16 Q. The Strawn.

17 A. The Delaware has appeared potentially productive  
18 on logs of wells recently drilled in the vicinity.

19 Q. Now, have you drilled a well to this depth in  
20 this area?

21 A. Yes, we have, we've drilled two wells --  
22 actually, if you'll refer to the plat, the short Section 36  
23 in 26-34 --

24 Q. Uh-huh.

25 A. -- we have drilled a well in what would be

1 approximately the center of the east half there. That well  
2 has been completed in the Atoka and Strawn.

3 We have also drilled a well in Section 24 of 26  
4 South, 34 East, and that well is in the process of  
5 completion, testing and completion.

6 Q. And those were both 15,000-foot wells?

7 A. Actually deeper.

8 Q. Really. So you've got a pretty good handle on  
9 what the well costs are going to be?

10 A. Yes, sir.

11 EXAMINER CATANACH: Okay, I don't have anything  
12 further.

13 MR. BRUCE: Nor do I.

14 EXAMINER CATANACH: Okay, there being nothing  
15 further, Case 13,427 will be taken under advisement.

16 (Thereupon, these proceedings were concluded at  
17 10:38 a.m.)

18 \* \* \*

19  
20 I do hereby certify that the foregoing is  
21 a complete record of the proceedings at  
22 the Examiner hearing of Case No. 13427,  
23 heard by me on February 17, 2005.  
24 David R. Catanach, Examiner  
25 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 20th, 2005.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006