

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. 13,083
)
APPLICATION OF ROCA PRODUCTION, INC.,)
FOR COMPULSORY POOLING, LEA COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner **RECEIVED**

July 10th, 2003 JUL 24 2003
Santa Fe, New Mexico Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, July 10th, 2003, 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

July 10th, 2003
Examiner Hearing
CASE NO. 13,083

	PAGE
APPEARANCES	3
APPLICANT'S WITNESS:	
<u>JAMES CLAY BROWN</u> (Attorney, Practical Oilman)	
Direct Examination by Mr. Bruce	5
Examination by Examiner Catanach	17
Examination by Mr. Brooks	20
Further Examination by Mr. Bruce	22
STATEMENT BY MS. O'HARA	25
REPORTER'S CERTIFICATE	31

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	10	17
Exhibit 2	12	17
Exhibit 3	7, 13	17
Exhibit 4	15	17
Exhibit 5	17	17

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A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

ALSO PRESENT:

Evelyn O'Hara

* * *

1 WHEREUPON, the following proceedings were had at
2 9:05 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 13,083, the Application of Roca Production, Inc., for
5 compulsory 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.

9 EXAMINER CATANACH: Call for additional
10 appearances in this case.

11 MR. BROWN: One more, I think.

12 MR. BRUCE: Mr. Examiner, she's not our witness,
13 but Ms. O'Hara is here. Would you identify herself for the
14 record, please?

15 EXAMINER CATANACH: Would you please stand and
16 identify yourself, ma'am?

17 MS. O'HARA: Evelyn O'Hara.

18 EXAMINER CATANACH: And Ms. O'Hara, did you plan
19 on making any statements or asking any questions at this
20 proceeding?

21 MS. O'HARA: I was hoping to ask for a
22 continuance due to ill health.

23 EXAMINER CATANACH: Okay, why don't we wait till
24 the end of the case, and then if you want to make a
25 statement and request, we'll do it then?

1 Okay, will you please swear in the witness?

2 (Thereupon, the witness was sworn.)

3 JAMES CLAY BROWN,

4 the witness herein, after having been first duly sworn upon
5 his oath, was examined and testified as follows:

6 DIRECT EXAMINATION

7 BY MR. BRUCE:

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

9 A. James Clay Brown.

10 Q. And what is your occupation?

11 A. I'm an attorney.

12 Q. Have you previously testified before the
13 Division?

14 A. No, I haven't.

15 Q. Okay. What is your relationship to Roca and to
16 the interest owners in this case?

17 A. Roca is the contract operator of this particular
18 well, and I represent the owners of about -- approximately
19 70 percent of the working interest in the well as a co-
20 trustee of two trusts and as a trustee of another trust,
21 and then as a small working interest owner through a little
22 company that I have.

23 Q. Now, in your relationship to this case you're
24 acting as more than an attorney, are you not?

25 A. Yes, I'm the one who is informally responsible

1 for pushing forward with additional development or
2 additional work that can be done on the properties,
3 advising the trusts that I represent and asking the
4 operator to, you know, work up AFEs and proposals, evaluate
5 possible work that could be done and then taking that work
6 forward, presenting it to the folks who actually own the
7 working interest and trying to arrange for that work to be
8 done through the operator.

9 Q. And these family members and trusts, related
10 trusts, own more than just an interest in this particular
11 well unit, do they not?

12 A. Yes. Yeah, they're -- I think -- Roca operates,
13 I think, 12 or 13 wells on probably six or seven different
14 leases, all between Eunice and Jal in Lea County. It's all
15 fairly close.

16 Q. Okay.

17 A. Plus they own some working interests in some
18 properties that are operated by other operators.

19 Q. Okay. So you act not only -- you review APDs and
20 AFEs with respect to proposals on this acreage?

21 A. Yes.

22 Q. And you review the geology and engineering so
23 that you can advise your clients?

24 A. Yes.

25 Q. So you're perhaps a more practical attorney than

1 I am.

2 A. I'm a generalist, to say the least.

3 Q. And are you familiar with those matters with
4 respect to this Application?

5 A. Yes.

6 MR. BRUCE: Mr. Examiner, I'd tender Mr. Brown as
7 a practical oilman.

8 EXAMINER CATANACH: He is so qualified.

9 Q. (By Mr. Bruce) Just briefly, Mr. Brown -- and
10 maybe the thing to go to just briefly would be your Exhibit
11 3 -- what is it that Roca Production on behalf of the
12 working interest owners seeks in this case?

13 A. Well, there's an old Jalmat well on this Esmond A
14 lease that's presently making just a little bit of gas. We
15 participated in some operations with ARCO, now BP, on some
16 leases that we own jointly with them, where they went back
17 in some of these old Jalmat producers and cleaned them out
18 and frac'd them using a CO₂ frac and pumping sand into the
19 formation, and this is something we had been wanting to do
20 with this Esmond A for some time.

21 We got sidetracked with the ARCO work, but that
22 also made us a little bit more comfortable with the
23 procedure, and now we're trying to come back to the lease
24 that we operate and do the same thing there that we did on
25 four wells with ARCO, three of which are shown on the

1 Exhibit 3 map, three of the ARCO wells.

2 Q. Okay, so on Exhibit 3 the blue outlines are the
3 ARCO wells --

4 A. Yes.

5 Q. -- in which your group owns an interest?

6 A. Yes, we own 50 percent interest in those leases.

7 Q. Okay. And the lease we're here for today is the
8 northeast quarter of Section 33; is that correct?

9 A. Yes, the one outlined in yellow.

10 Q. And you intend to re-enter and frac the Esmond A
11 Well Number 2, which is circled in red on that lease?

12 A. Yes.

13 Q. Okay, and this Application pertains strictly to
14 the Jalmat Gas Pool; is that correct?

15 A. Yes.

16 Q. Now, this well, I believe, the Number 2 well, is
17 located 1980 feet from the north line and 990 feet from the
18 east line?

19 A. I think so.

20 Q. Okay. And you have notes on Exhibit 3. The well
21 was originally drilled in 1953, was it not?

22 A. Yes.

23 Q. And since then, the northeast quarter has been
24 dedicated to this well --

25 A. Yes.

1 Q. -- in the Jalmat Gas Pool?

2 A. Yes.

3 Q. So there is already an established nonstandard
4 160-acre unit for the well?

5 A. I believe so.

6 Q. Okay. And again, Roca Production, Inc., is the
7 contract operator for the interest owners in the well?

8 A. Right.

9 Q. Now, briefly on the well's history, it was
10 drilled in 1953. Has it produced during most of that time?

11 A. Yes.

12 Q. What is its -- It is currently producing?

13 A. Just a little bit. I've got 10 MCF gas per day,
14 and the operator tells me it's closer to 1 or 2 MCF of gas
15 per day right now.

16 Q. Okay. Now, with respect to the ownership of the
17 well unit, you represent the interest owners who own
18 approximately 70 percent of the working interest --

19 A. Yes.

20 Q. -- of that well unit?

21 A. Yes.

22 Q. And then Ms. O'Hara, or Ms. O'Hara as trustee of
23 a trust, owns the remaining working interest in this well
24 unit?

25 A. Yes.

1 Q. Okay. Now, why don't we go into the efforts to
2 obtain the joinder of the interest owners in this well
3 unit? What is Exhibit 1?

4 A. Okay, Exhibit 1 is the original justification,
5 discussion of the history of the well and how it might
6 respond to a modern frac, that was worked up in 1996 before
7 we shifted our attention to the four ARCO wells that were
8 done over about a two-year period.

9 Attached to that is a September 23rd, 2002, AFE
10 prepared by our contract operator for a frac -- to re-
11 enter, clean out and frac the Jalmat in the Esmond A Number
12 2. This is the AFE that Mrs. O'Hara signed, and there's a
13 note -- She sent it back to me.

14 This was presented, all of this information was
15 presented at a meeting in Fort Worth in November of 2002
16 where all of the family members who own these properties
17 were present, and we went over each of the properties and
18 what was currently going on with them, and also we dealt
19 quite a bit with this re-entry opportunity.

20 Anyway, Ms. O'Hara signed her AFE and sent it
21 back with a note saying that she wanted to participate, and
22 the money would come from various sources. And that's were
23 things were, going into 2003.

24 Q. Okay, so really the first proposal was what,
25 seven years ago on this well?

1 A. It was -- Yeah, we sent it out to everybody, and
2 I don't think we really pushed for it because by that time
3 ARCO was really interested in getting some things done on
4 the leases that we owned jointly with them, and so we just
5 thought maybe that was the thing to do.

6 Q. Okay, so work was done on other leases in the
7 area in which your group owned an interest, so this 1996
8 proposal fell by the wayside for a while?

9 A. Yes.

10 Q. Okay. And then in November, 2002, you did meet
11 in Fort Worth, and Ms. O'Hara was there?

12 A. We had the meeting in her house.

13 Q. Okay, and discussed that, and this is not a 1996
14 AFE?

15 A. No. No, it's a September, 2002, AFE.

16 Q. Okay. And these are still the approximate costs
17 for the proposed operation?

18 A. But the background had not changed --

19 Q. Right.

20 A. -- that's why the --

21 Q. Okay. Now, your group views this as having some
22 risk in it; is that correct?

23 A. Oh, absolutely. Yeah, it's just not a -- You
24 know, you've got a hole risk, you've got reserve risk --

25 Q. Okay, so as a result you would either like Ms.

1 O'Hara to participate with the money up front, or you need
2 to force pool and get a risk penalty to compensate the
3 parties who do participate for the risk that they're
4 taking?

5 A. Right.

6 Q. Okay. What was the next step? And I refer you
7 to your Exhibit 2?

8 A. I wrote Ms. O'Hara a letter on February 26th,
9 2003, acknowledging, you know, receiving the AFE but
10 stating that, you know, we had to have everybody's money up
11 front before we could go forward with it, because none of
12 the other partners were willing to carry anybody, and the
13 operator does not even have an interest in the production.
14 And the operator is the one who's going to be going out
15 and, of course, contracting for services and material.

16 And so that's -- we just -- Plus we wanted to lay
17 the groundwork for this compulsory pooling action.

18 Q. Okay. Now, in this letter you talk about a 300-
19 percent nonconsent penalty. In this matter you are seeking
20 the maximum risk penalty, are you not?

21 A. Yes.

22 Q. And you understand that that is cost plus 200
23 percent?

24 A. Yes.

25 Q. And so this letter was sent. And have there been

1 any follow-up discussions with Ms. O'Hara regarding this
2 proposal?

3 A. Well, we have -- Yes, we've talked about it, and
4 she has attempted to raise the money, interest of the
5 parties in taking her interest on some basis, but that's as
6 far as it's gone.

7 Q. Okay. And you understand that if the Division
8 does enter an order, it will do so at some point after this
9 hearing, and then even then there is a 30-day notice period
10 after the order is entered?

11 A. Yes. We welcome her participation, we just have
12 to have the money, we have to have the money up front
13 before we can spend anything out there.

14 Q. Okay. Well, let's go back to your Exhibit 3 and
15 discuss the risk a little bit, and maybe you could just go
16 through what was done on the ARCO wells and what you hope
17 to do on your well?

18 A. Well, on the ARCO wells, the details of the frac
19 job are set out in the AFE, and I think -- It's 135,000
20 pounds of sand, and they pump it with CO₂, but you have
21 to -- you know, the big risk is -- the hole conditions,
22 these are open-hole completions, so you have to clean out
23 the hole. We haven't been back in this well in some time.
24 The production just does not justify it at this point in
25 time. So we don't know what the condition of the hole is,

1 although the well file indicates that there's no junk in
2 the hole.

3 Our experience with ARCO was that -- you know, it
4 just varies from well to well as far as what you can
5 recover in additional reserves. Some of the wells that
6 have produced more gas, you know, have lower recoveries
7 from additional -- from the frac job, just -- we think it's
8 because maybe they had better permeability and just drained
9 more anyway, naturally.

10 This well is fairly tight. It has only produced
11 1.8 BCF of gas since 1953, but you know, our experience
12 from dealing with ARCO and talking with ARCO and seeing
13 what ARCO has done is that you get -- you know, you get a
14 wide range of producing rates. You know, say 400 to 500
15 MCF a day is very good. If you can average 300 MCF a day
16 for the first year, you've done extremely well.

17 Q. Okay. And in looking at the production data on
18 this map, one of the wells, the Sinclair State B Number 4,
19 has added about 3/4 of a BCF, but that well also had a lot
20 more original production from it?

21 A. Right.

22 Q. So --

23 A. So it's somewhat an exception from what I said,
24 the better wells may not give up the most additional
25 reserves. But that one is -- That's kind of the flagship

1 of our new-frac fleet.

2 Q. And so the other wells appear -- could possibly
3 be more reflective of what you might achieve in this -- in
4 the Esmond A Number 2?

5 A. Yes.

6 Q. Okay, what is Exhibit 4, Mr. Brown?

7 A. Is that a wellbore sketch?

8 Q. Yes.

9 A. Yeah, it's just a wellbore sketch done by the
10 Roca engineer that shows the -- where the pipe is set, the
11 open-hole interval, coring, cumulative production. I think
12 he -- you know, there's some detail on an old hydrofrac
13 that's written up in that 1996 piece that -- where they
14 pumped in some oil, but they never have frac'd it with sand
15 as far as we can tell, certainly not a modern frac job.

16 Q. And this wellbore is now 50 years old?

17 A. Yes.

18 Q. And so that does add to the risk also?

19 A. Yes.

20 Q. And as a result, Roca Production does request the
21 maximum cost-plus-200-percent penalty?

22 A. Yes.

23 Q. Now, since the negotiations have been ongoing for
24 some time, in your opinion have you made a good-faith
25 effort to obtain the voluntary joinder of Ms. O'Hara in the

1 well?

2 A. Yes.

3 Q. And in your opinion is the AFE for the frac job
4 fair and reasonable and in line with the cost of other
5 wells reworked in this area?

6 A. Yes.

7 Q. Again, you request that Roca Production, Inc., be
8 designated operator of the well in the order?

9 A. Yes.

10 Q. Do you have a recommendation for the amounts
11 which Roca should be paid for supervision and
12 administrative expenses?

13 A. Our deal with Roca is -- and this goes back to
14 1995, but we said, you know, will you come in and operate
15 these wells for \$250 a month? And they have, and that's
16 what they've done since then, just on a producing well
17 overhead rate basis. And my request, my recommendation, is
18 \$3000 a month for drilling and \$300 a month for production.

19 Q. And are these amounts equivalent to those
20 normally charged in this area for wells of this depth?

21 A. Yes.

22 Q. And do you request that this rate be adjusted
23 periodically as provided by the COPAS accounting procedure?

24 A. Yes.

25 Q. Finally, was Ms. O'Hara notified of this

1 Application, Mr. Brown?

2 A. Yes.

3 Q. Is Exhibit 5 my affidavit of notice?

4 A. Yes.

5 Q. In your opinion, is the granting of this
6 Application in the interests of conservation and the
7 prevention of waste?

8 A. Yes.

9 Q. And were Exhibits 1 through 5 either prepared by
10 you or under your supervision or compiled from company
11 business records?

12 A. Yes.

13 MR. BRUCE: Mr. Examiner, I'd move the admission
14 of Roca Exhibits 1 through 5.

15 EXAMINER CATANACH: Exhibits 1 through 5 will be
16 admitted.

17 EXAMINATION

18 BY EXAMINER CATANACH:

19 Q. Mr. Brown, how long have the interest owners
20 owned this well?

21 A. Ms. O'Hara's father drilled it.

22 Q. Back in 1953?

23 A. Yes.

24 Q. The current ownership, as it stands today, when
25 did that first come into existence?

1 A. That has come in over time, just -- I mean, the
2 basic group is sort of the same, with some changes, as a
3 third party got out, as family members died, as family
4 members made lifetime transfers. But it's the same basic
5 group.

6 Q. So this well was -- for a number of years was
7 operated by -- is it Gackle?

8 A. Yes.

9 Q. And then at what point did it change from --

10 A. 1980. It became operated in 1980 by a little
11 company that I was with at the time, HCW Exploration. We
12 participated in the purchase of the Gackle Oil Company
13 interest. Ms. O'Hara and her family participated in that
14 also.

15 Our company, HCW, sold in 1986. It was taken
16 over by -- operations were taken over by Parker and
17 Parsley, who bought HCW. I made an attempt to buy the
18 properties and obtain operations from Parker and Parsley.
19 After that -- I was unsuccessful -- Doyle Hartman came in
20 and bought the Parker and Parsley interest and took over
21 operations in the late 1980s, I believe, and he operated
22 the properties until -- well, through 1994, and we were
23 able to make a trade with him in 1993 and 1994 where we
24 traded him an interest in one lease and we got his interest
25 in all the other leases.

1 And then that's the point in time when Roca came
2 in at our request to operate these properties on a contract
3 basis. The principals in Roca are people who I've worked
4 with. Roca consists of a petroleum engineer and an
5 accountant. They do all the engineering work, production
6 reporting, revenue disbursement and so on.

7 Q. Hm. Are they the ones that carry the plugging
8 bond for this well?

9 A. Yes.

10 Q. Okay. So you own or represent approximately 70
11 percent of the working interest in this northeast quarter?

12 A. Yes.

13 Q. And the remainder -- remaining 30 percent is
14 owned -- or controlled by Ms. O'Hara?

15 A. Yes.

16 Q. Okay. Now, at the current time you all
17 participate in the current production from the well; is
18 that correct? I mean, you all receive revenue from the
19 current production?

20 A. Yes.

21 Q. So is there not any JOA or some other type of
22 agreement that governs operation of this lease?

23 A. Well, not -- I don't think so. I mean, there
24 was, you know, an old JOA that has been really superseded
25 just because, you know, for one it had a very low overhead

1 rate per well. It was capped at, I think, \$50 a month or
2 something, or maybe \$25. It may have been \$50 for the
3 first well and \$25 for each additional well. There was no
4 procedure in there for doing anything.

5 We've attempted to update the operating -- I
6 mean, formally update the operating arrangement on this
7 several times, and I just -- you know, finally we just
8 said, you know, Roca has agreed to operate it for \$250 per
9 well per month, and we need an operator, and it just is
10 more or less a month-to-month deal.

11 Q. So there is no agreement in place that you can
12 fall back on that would govern any kind of subsequent
13 operations like this?

14 A. No.

15 Q. So it was your opinion you had to resort to
16 compulsory pooling to get what you were seeking?

17 A. Right.

18 EXAMINATION

19 BY MR. BROOKS:

20 Q. You said there was an old operating agreement,
21 and I was a little vague on what happened to it from your
22 testimony. Was there ever a subsequent agreement entered
23 into?

24 A. Well, there have been -- We attempted to
25 circulate a subsequent agreement, and -- but it was never

1 completely signed off on, as I recall. Doyle Hartman took
2 the position that the subsequent agreement was in effect
3 when he operated, and he charged, oh, I think \$450, \$500 a
4 well per month.

5 You know, this -- Like I said, the agreement that
6 we've had with Roca since 1995 is \$250 a well per month.

7 Q. Well, the original operating agreement was at one
8 time everyone, all working interests party to that?

9 A. Probably so. As I recall, that agreement -- it's
10 probably like the old ARCO agreement that we're under on
11 the ARCO-operated properties where there's no procedure for
12 getting a risk -- for being compensated for carrying
13 somebody's interest on a subsequent well or a re-entry.

14 MR. BROOKS: Well, as counsel for the Examiner, I
15 may have picked an inopportune time to step out of the
16 room, but it looks like there's some serious legal issues
17 in this case, and I'm not sure the evidence is sufficient
18 to enable the Examiner to address them, but since we don't
19 have the operating agreement let's see where this -- I'm
20 not sure that I can flesh it out much more at this point.

21 Thank you, I have no further questions.

22 EXAMINER CATANACH: Well, I'm not sure there's
23 much more left to go in this case, to rely on.

24 This is your only witness, right, Mr. Bruce?

25 MR. BRUCE: Yeah, this is my only witness, Mr.

1 Examiner.

2 MR. BROOKS: Well, my concern, Mr. Bruce --
3 perhaps you can address it -- if there is an operating
4 agreement in effect, then it wouldn't be appropriate to
5 issue a compulsory pooling order, even though perhaps
6 somebody is not satisfied with the operating agreement.
7 But I'm not sure what the status of this operating
8 agreement -- if it's lapsed by virtue of the actions of the
9 parties having superseded it, or if there's perhaps some
10 rights that the remaining working interest owners might
11 have under the old operating agreement, and that would be
12 my concern about this case.

13 MR. BRUCE: If I could ask Mr. Brown a couple
14 follow-up questions?

15 MR. BROOKS: Okay.

16 FURTHER EXAMINATION

17 BY MR. BRUCE:

18 Q. Mr. Brown, I didn't ask you this question
19 originally, although we discussed it before the hearing.
20 This well did cease producing for some period of time; is
21 that correct?

22 A. Yes, no production was reported from it for a
23 while, I don't know how long.

24 Q. A number of years?

25 A. Yeah, probably so.

1 Q. And so if -- And then you mentioned an older JOA.
2 Did that have any provision in it for subsequent
3 operations, for a recompletion, that you are aware of?

4 A. The -- no -- Well, the one I'm familiar with,
5 it's like the ARCO operating agreement, it just does not
6 speak to any kind of rework of an existing wellbore.

7 Q. Okay. Could you get me a copy of that old
8 operating agreement so that I --

9 A. Uh-huh.

10 Q. -- can submit it to the Division?

11 MR. BROOKS: That's what I was going to request,
12 to supplement the record.

13 Q. (By Mr. Bruce) But to the best of your knowledge
14 it doesn't address reworking of an old wellbore, and
15 secondly, this well did cease producing for quite some
16 time?

17 A. Yes.

18 Q. And third, since the late 1980s the parties have
19 not been using the older JOA?

20 A. Yes.

21 MR. BRUCE: Thank you. Mr. Examiner, after the
22 hearing, if we could submit that.

23 EXAMINER CATANACH: Okay.

24 (Off the record)

25 EXAMINER CATANACH: I was, Mr. Bruce, conveying

1 to counsel that I also in my time here have not seen a case
2 similar to this where a party has come in to pool for a
3 workover on a well for a frac job of this nature. To me,
4 it's kind of a precedent-setting situation.

5 MR. BROOKS: Yeah, I would also have concern
6 about this aspect of it, because actually we addressed this
7 at the last Commission Hearing in connection with the
8 proposed Rule 35.

9 The Compulsory Pooling Statute provides for a
10 penalty -- or not a penalty; we call it a penalty, but it
11 doesn't -- the Statute, of course, doesn't use the word
12 "penalty" -- a charge for risk, which is to be a percentage
13 of the cost of drilling and completion. And the way the
14 Statute is written, it's clear that they make a distinction
15 between cost of operation and cost of drilling and
16 completion.

17 And I think there's some ambiguity there as to
18 whether or not, when you're dealing with a frac job,
19 whether that's cost of completion or whether that's
20 operating cost. I know they've addressed that in later
21 editions of the JOA by putting in the words "testing",
22 which don't appear in our statute.

23 But it looks like we have a few legal issues
24 here.

25 EXAMINER CATANACH: So we will, you know,

1 consider all the evidence presented and I guess, you know,
2 rule accordingly. But I don't know how it's going to turn
3 out at this point.

4 MR. BRUCE: Well, Mr. Examiner, I would simply
5 say that, you know, if you have -- I think Mr. Brown's
6 testimony is that the operating agreement is no longer in
7 effect, but if it doesn't address this type of operation I
8 don't think there is an effective JOA in place.

9 And secondly, if -- you know, I think more and
10 more you will see people coming in and reworking wells, and
11 I think the last Commission Hearing did address certain
12 things about, you know, penalties -- not penalties, risk
13 charges on re-entering wellbores, and I think this is, in
14 essence, the same thing. So I think a risk penalty is
15 appropriate.

16 EXAMINER CATANACH: Okay, thank you, Mr. Bruce.
17 Is there anything else that you want to --

18 MR. BRUCE: I have nothing further, Mr. Examiner.

19 EXAMINER CATANACH: Then in that case I would
20 entertain any statements from Ms. O'Hara at this time. If
21 you want to make a statement or request, you're certainly
22 free to do so.

23 MS. O'HARA: Yes, I signed, after the meeting in
24 November, the AFE, particularly thinking that my brother
25 and sister would come up with some money they owed me, and

1 then that would pay for the cost, but -- and didn't find
2 out till February that that was not going to be true.

3 But the problem is that the 27th of February -- I
4 mean the 27th of November I had a stroke and have been
5 several times back in the hospital up until May 13th and
6 just haven't quite got it together yet.

7 I wish to participate and hope to have my money
8 up, so I'd like to have a delay because of this illness,
9 and possibly it would make the compulsory pooling
10 unnecessary.

11 EXAMINER CATANACH: In terms of a time frame, Ms.
12 O'Hara, what are you asking for?

13 MS. O'HARA: Well, I was hoping to stay in New
14 Mexico, in the mountains, and just kind of rest between now
15 and the end of August, and then go home and try to take
16 care of things.

17 So you know, that would be the delay that I would
18 like, would be toward the end of August so that I would
19 have time to go home and hopefully be recuperating enough
20 that I could handle business a little better.

21 EXAMINER CATANACH: So you are requesting that we
22 delay any action till the end of August? Is that what
23 you're requesting?

24 MS. O'HARA: Yes.

25 EXAMINER CATANACH: And that would give you

1 additional time after the end of August?

2 MS. O'HARA: Yes, then I would have time for the
3 two week plus the 30 day, hopefully to come up with the
4 money that I need to come up with, and then we wouldn't
5 have to worry about it, we wouldn't have the added risk and
6 the added costs.

7 MR. BROOKS: Have there been any negotiations
8 between you and the other owners about adjusting this
9 situation or farming out your interest or anything like
10 that?

11 MS. O'HARA: Well, no, they haven't -- I
12 haven't -- No, there hasn't been, just --

13 MR. BROOKS: Are you --

14 MS. O'HARA: -- the letter in February saying
15 that my brother and sister --

16 MR. BROOKS: Yeah.

17 MS. O'HARA: -- didn't want to pay the money they
18 owe me that would pay for the well. So that was the last
19 that I've heard.

20 MR. BROOKS: Okay. Are you acquainted with --
21 Are you familiar with the provisions of this previous joint
22 operating agreement that the witness referred to?

23 MS. O'HARA: I know that we had a joint operating
24 agreement with Gackle for sure and with HCW. But after
25 that, I don't really think that we did have one.

1 MR. BROOKS: Okay, thank you.

2 MS. O'HARA: I never signed one with Hartman
3 because I've heard that he was untrustworthy, so...

4 MR. BROOKS: Well, Hartman is an interesting
5 person.

6 MS. O'HARA: I don't know, sometimes I think he
7 may be more trustworthy than others that I've run into.

8 MR. BROOKS: Well, I wouldn't make any comment on
9 that, but he is a unique personality.

10 EXAMINER CATANACH: Okay. Ms. O'Hara, it may
11 take us some time to sort out some of the issues that we've
12 heard in this case, so it may, in fact, take us several
13 weeks to issue an order either approving or denying the
14 Application.

15 And under the terms of a compulsory pooling
16 order, the Applicant would be required to furnish you an
17 additional AFE at that time that the order is issued, and
18 you would still have an additional 30 days after that to
19 pay your share of the well costs.

20 So I anticipate that, you know, you may be
21 looking at six weeks, seven weeks, eight weeks, something
22 like that, before you have to take any action to pay your
23 share of well costs.

24 So that's probably -- I don't know if that's
25 sufficient for you, but that's --

1 MS. O'HARA: Well, I think that would be
2 sufficient.

3 EXAMINER CATANACH: So --

4 MS. O'HARA: I certainly hope so.

5 There is another question. If you put up, say,
6 50 percent, do you delay -- I mean, you don't get charged
7 for the -- you don't have to have the whole amount up, you
8 can put up a percentage?

9 MR. BROOKS: I think you have to put up the whole
10 amount.

11 MS. O'HARA: You do?

12 MR. BROOKS: Yes.

13 MS. O'HARA: In order to avoid the --

14 EXAMINER CATANACH: -- risk penalty.

15 MS. O'HARA: -- the penalty.

16 MR. BROOKS: There is a way to get some more
17 delay. I don't think it would be appropriate for me to
18 mention to it to you at this point, but if you want to ask
19 any lawyer that knows anything about OCD practice, they can
20 tell you how to get some further delay.

21 MS. O'HARA: It's called OCD?

22 MR. BROOKS: Oil Conservation Division, yes.

23 MS. O'HARA: Okay, I may.

24 EXAMINER CATANACH: Okay, with that I guess we
25 will take the case under advisement.

1 MR. BRUCE: And I'll get the other data to you
2 shortly.

3 EXAMINER CATANACH: And can you also provide that
4 to Ms. O'Hara as well?

5 MR. BRUCE: Oh, sure.

6 EXAMINER CATANACH: Thank you, Jim.

7 (Thereupon, these proceedings were concluded at
8 9:43 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 13083
heard by me on 10/10/2003.
David J. Catnach, 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 July 11th, 2003.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006