

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

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF BURLINGTON RESOURCES OIL Case 14926
& GAS COMPANY, LP, FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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BEFORE: RICHARD EZEANYIM, Presiding Examiner
DAVID K. BROOKS, Legal Examiner

November 29, 2012

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
Presiding Examiner, and DAVID K. BROOKS, Legal Examiner,
on Thursday, November 29, 2012, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South St.
Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

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A P P E A R A N C E S

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
W. THOMAS KELLAHIN, ESQ.
706 Gonzales Road
Santa Fe, New Mexico 87501
(505)982-4285

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1 EXAMINER EZEANYIM: Now, going with the
2 first case on the docket is Case Number 14926. And this
3 is the application of Burlington Resources Oil & Gas
4 Company, LP, for compulsory pooling, San Juan County, New
5 Mexico.

6 Call for appearances.

7 MR. KELLAHIN: Mr. Examiner; I'm Tom
8 Kellahin, of the Santa Fe law firm of Kellahin &
9 Kellahin, appearing on behalf of the applicant this
10 morning, Burlington Resources. This case is being
11 presented by affidavit.

12 EXAMINER EZEANYIM: Any other appearances?

13 Okay. Mr. Kellahin, you may proceed.

14 MR. KELLAHIN: Thank you, Mr. Examiner.

15 The presentation before you on behalf of
16 Burlington Resources contains three exhibits. The first
17 exhibit is Mr. Terry Ruby's affidavit. The affidavit is
18 structured in such a way that he's attached exhibits to
19 the affidavit.

20 If you'll set the affidavit aside for a
21 moment, I will show you Exhibit Number 2 to the case,
22 which is a separately-stapled package. So if you take
23 the clip off the top of the exhibits, Exhibit Number 2 is
24 my affidavit of notification.

25 And then if you turn to Exhibit 3, you will

1 have before you the original of the newspaper publication
2 for purposes of this case.

3 Burlington is seeking to gather all the
4 necessary parties for a spacing unit consisting of the
5 north half of Section 9. And in doing so, they're going
6 to be drilling two wells.

7 Of those two wells, there is an individual who
8 is deceased, an individual named Terry White, for which
9 significant research has been done, and we cannot find
10 any of Mr. White's heirs. We know he's deceased. But in
11 all the research that's ever been done, we cannot locate
12 any of those heirs, so we've served him by publication.

13 Mr. White's interest is confined only to the
14 Mesaverde. He has no interest in the Dakota and he has
15 no interest in the Mancos. He has a sixteen point
16 something percent interest.

17 The other party is Lewis Chandler. And he
18 had arranged his affairs in a trust, and he may have held
19 that individually. Mr. Chandler was difficult to locate,
20 but they have found him. And he's deferred decisions on
21 his participation to a law firm.

22 That law firm has been in contact with
23 Burlington. As of now, they have not signed the
24 operating agreement, they have not responded to the
25 application I've served on them, and the notification

1 shows they have been served.

2 Now, the interests held by Chandler are shown
3 in the affidavit. He has a working interest. There's a
4 small working interest in the Mesaverde, one point
5 something percent. In the Dakota, he has 3.3 percent,
6 and then he has no interest in the Mancos.

7 So as we go through the affidavit, you'll see
8 they've attached the C-102 to the affidavit to show you
9 the location of both wells. They've attached the
10 necessary documentation.

11 One of the numbers that you'll care about in
12 the affidavit are the overhead rates they're requesting.
13 The first one is \$7,500 a month drilling well rate, and
14 the operating rate is \$750 a month. And that's according
15 to the COPAS, and we would like the accompanying
16 escalation factors within the body of the order.

17 The AFEs are attached to the affidavit, and
18 they're broken out individually. One of the things we
19 explored in filing the application was to ask you and
20 Mr. Brooks to do something about the escrowing provisions
21 under a pooling order.

22 The application itself asks for a revisiting
23 of the escrow procedures. Because of the time component
24 in getting this well drilled, we are withdrawing that
25 request. We are asking you to put the conventional

1 paragraph in your pooling order with regard to escrowing
2 funds.

3 EXAMINER BROOKS: I'm glad you're doing
4 that. Because we are going to be working on a rule,
5 developing a rule, to change the procedures on that, and
6 that's going to take some time.

7 MR. KELLAHIN: I found that out very
8 quickly. That was much harder than I thought I could do.
9 We didn't want this to be the poster child for trying to
10 do something more complicated than we could pull off here
11 today.

12 EXAMINER BROOKS: I've already talked to
13 Ms. Munds-Dry about that.

14 EXAMINER EZEANYIM: I'm glad you withdrew
15 that.

16 MR. KELLAHIN: So it's a conventional
17 pooling case because there is the White interest, which
18 is a working interest. But when you get down to the
19 Chandler interest, they will also have a working
20 interest. But the complexity of trying to figure out
21 what to do with the escrow account is too much.

22 So with that explanation, Mr. Examiner, we
23 would seek your permission to introduce Exhibits 1, 2 and
24 3.

25 EXAMINER EZEANYIM: Exhibits 1, 2 and 3

1 will be admitted.

2 (Exhibits 1, 2 and 3 were admitted.)

3 Do you have any questions?

4 EXAMINER BROOKS: I have no questions.

5 EXAMINER EZEANYIM: What is the depth --

6 There are two wells; right? What are the depths?

7 MR. KELLAHIN: There are two wells. They
8 will go down and penetrate to the base of the Dakota.

9 EXAMINER EZEANYIM: And what is the depth
10 of that Dakota?

11 MR. KELLAHIN: It's here in the affidavit.
12 I think I can dig it out.

13 EXAMINER EZEANYIM: Why I'm asking that
14 question, this 7,500 for drilling and production, is that
15 what is allowed under the COPAS?

16 MR. KELLAHIN: That's out of the COPAS
17 Bulletin. I relied on Mr. Ruby to give me that number.
18 And in doing so, I did not check the total depth of the
19 well. It's on file with you, and I will provide that
20 after the hearing.

21 EXAMINER EZEANYIM: Who is Mr. Ruby?

22 MR. KELLAHIN: Terry Ruby is one of the
23 land supervisors for Burlington. These are his wells.

24 EXAMINER EZEANYIM: I just think that
25 number is on the high side. I don't know. I need to

1 look at COPAS.

2 MR. KELLAHIN: Let me supply that to you
3 after the hearing, Mr. Examiner. I don't have it here
4 right now.

5 EXAMINER EZEANYIM: Very good. Anything
6 further?

7 MR. KELLAHIN: That's all I have.

8 EXAMINER EZEANYIM: At this point, Case
9 Number 14926 will be taken under advisement.

10 * * *

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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. 14926
heard by me on 11/29/12

_____, Examiner
Oil Conservation Division

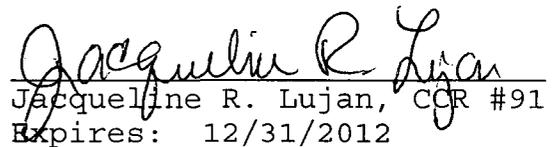
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on November 29, 2012, proceedings in
the above captioned case were taken before me and that I
did report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 11th day of December,
2012.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2012