

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:

ORIGINAL

APPLICATION OF MACK ENERGY
CORPORATION FOR COMPULSORY
POOLING, EDDY COUNTY,
NEW MEXICO.

CASE NO. 15181

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 7, 2014

Santa Fe, New Mexico

BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Richard Ezeanyim,
Chief Examiner, on Thursday, August 7, 2014, at the
New Mexico Energy, Minerals and Natural Resources
Department, Wendell Chino Building, 1220 South St.
Francis Drive, Porter Hall, Room 102, Santa Fe,
New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
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(505) 843-9241

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APPEARANCES

FOR APPLICANT MACK ENERGY CORPORATION:

JAMES G. BRUCE, ESQ.
Post Office Box 1056
Santa Fe, New Mexico 87504
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EXHIBITS OFFERED AND ADMITTED

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(8:38 a.m.)

1 EXAMINER EZEANYIM: Okay. We're going to
2 the last case on page 3. On page 3, I call Case 15181,
3 application of Mack Energy Corporation for compulsory
4 pooling, Eddy County, New Mexico.

5 Call for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of
7 Santa Fe representing the Applicant, and I am submitting
8 this case by affidavit.

9 EXAMINER EZEANYIM: Any other appearances?

10 None.

11 You may proceed.

12 MR. BRUCE: Mr. Examiner, this is one of
13 those rare cases with a vertical well, and, therefore,
14 under Division rules, we're allowed to submit everything
15 by affidavit. I've submitted to you three things.
16 First of all, they're not marked as an exhibit, the
17 C-102 for the well, and then Exhibits 1 and 2.

18 Exhibit 1 is the affidavit of the landman
19 from Mack Energy. And what they are seeking is to pool
20 the southeast quarter of the southeast quarter of
21 Section 3, Township 23 South, 27 East for a 40-acre
22 vertical Bone Spring well, the Lava Fee Well No. 1. The
23 surface location is unorthodox, but it's being drilled
24 as an S curve, and as you can see from the C-102 I've
25 given you, the bottom-hole location is orthodox, 965

1 feet from the south and east lines of Section 3. The
2 well is in the Cass Draw-Bone Spring pool, which has
3 40-acre spacing.

4 EXAMINER EZEANYIM: What is the name of the
5 pool?

6 MR. BRUCE: Cass, C-A-S-S, Draw-Bone Spring
7 pool.

8 EXAMINER EZEANYIM: Cass Draw-Bone Spring.

9 MR. BRUCE: And the API number, the last
10 five digits are 42136.

11 EXAMINER EZEANYIM: 4 what?

12 MR. BRUCE: 2136.

13 The only party being pooled is COG, which
14 owns an undivided 25 percent interest in this tract.
15 You'll see there are attachments to the affidavit, a
16 land plat, so you can get an idea of where the well is.

17 Exhibit B contains a copy of the proposal
18 letter, which was mailed April 25th.

19 The parties have been in discussions since
20 that time, and very recently, as you'll see by the
21 e-mails attached, the parties have been discussing a
22 term assignment from COG to Mack. That deal is almost
23 finalized. However, there is a lease expiring in four
24 days, and, therefore --

25 EXAMINER EZEANYIM: Four days?

1 MR. BRUCE: Four days (laughter). You
2 don't need to propose -- you don't need to prepare an
3 order within four days. Because the Mack or Chase Oil
4 entities own an interest, they do have a right to spud
5 the well and preserve the lease. Okay?

6 EXAMINER EZEANYIM: Okay.

7 MR. BRUCE: So I'm not asking for an
8 expedited order. As a matter of fact, I'll reach that
9 in a minute. But that's why they proceeded with pooling
10 even though they are close to signing an agreement, and
11 I will notify you, assuming that they reach an
12 agreement. But they felt they needed to move forward
13 with the pooling just because of the expiring lease. If
14 COG goes nonconsent -- does not sign the term assignment
15 and goes nonconsent, they would request the 200 percent
16 risk charge, and then the overhead rates are \$6,500 per
17 month and \$650 per month.

18 An AFE is attached. Again, it's a vertical
19 well, so the dry-hole costs are a little over a million
20 dollars, and the completed well costs are \$2,651,000.
21 As I said, there is an expiring lease. The parties are
22 in discussion, and I would ask that you hold off a week
23 or two before even looking at this. I hope they get
24 everything signed within the next week, and I will so
25 inform you. But I don't think there is any reason for

1 you to spend any time on this, assuming they're going to
2 sign, but I will get let you know what happens.

3 EXAMINER EZEANYIM: If they reach an
4 agreement, then the case will be dismissed?

5 MR. BRUCE: Dismissed.

6 And then submitted to you -- ah. That's my
7 one -- I need to get this to you -- is an affidavit of
8 notice, which I forgot to get notarized yesterday. I
9 will get the affidavit notarized -- Affidavit of Notice
10 notarized and shipped to you and to the court reporter
11 and to the Division secretary so that you have a fully
12 executed -- the only party notified is COG. They did
13 receive actual notice. Because this is a vertical well,
14 there was no need to notify offsets.

15 So with that, I'd move the admission of 1
16 and 2, ask that the case be taken under advisement but
17 hold off on anything. Hopefully, they'll sign within a
18 week or ten days.

19 EXAMINER EZEANYIM: Thank you very much.
20 Exhibits 1 and 2 will be admitted.

21 (Mack Energy Corporation Exhibit Numbers 1
22 and 2 were offered and admitted into
23 evidence.)

24 EXAMINER EZEANYIM: The Examiner will hold
25 off looking at this case for at least two weeks to see

1 whether an agreement is reached between COG and Mack
2 Energy. Right?

3 MR. BRUCE: Yes.

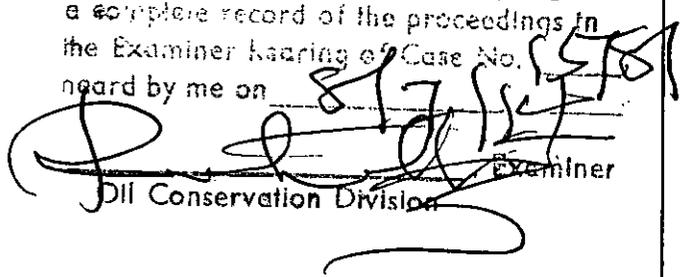
4 EXAMINER EZEANYIM: Very good. At this
5 point Case Number 15181 will be taken under advisement.

6 Thank you-all very much. It makes my work
7 easy today (laughter).

8 (Case Number 15181 concludes, 8:43 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. 15181
heard by me on 8/7/12


Examiner
DII Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced to printed form by
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's
13 Record of the proceedings truly and accurately reflects
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither
16 employed by nor related to any of the parties or
17 attorneys in this case and that I have no interest in
18 the final disposition of this case.

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MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters, Inc.
New Mexico CCR No. 20

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Date of CCR Expiration: 12/31/2014

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