

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. 13,596

APPLICATION OF SAMSON RESOURCES COMPANY)
 FOR COMPULSORY POOLING, LEA COUNTY, NEW)
 MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

December 1st, 2005

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, December 1st, 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.

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I N D E X

December 1st, 2005
Examiner Hearing
CASE NO. 13,596

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APPLICANT'S WITNESS:	
<u>ELIZABETH E. MOSES</u> (Landman)	
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

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 9:18 a.m.:

3 EXAMINER EZEANYIM: Okay, then I call Case Number
4 13,596, and this is the Application of Samson Resources
5 Company for 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 EZEANYIM: Any other appearances?

10 Okay, Mr. Bruce. May the witness stand up to be
11 sworn, please?

12 (Thereupon, the witness was sworn.)

13 MR. BRUCE: Mr. Examiner, my witness has a cold,
14 so if her voice goes out during the hearing we can do sign
15 language or something.

16 EXAMINER EZEANYIM: Okay, good.

17 THE WITNESS: Sorry.

18 ELIZABETH E. MOSES,

19 the witness herein, after having been first duly sworn upon
20 her oath, was examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

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

25 A. Yes, Elizabeth Moses, Midland, Texas.

1 Q. And what is your occupation?

2 A. Petroleum landman.

3 Q. Who do you work for?

4 A. I'm a consultant for Samson Resources.

5 Q. Have you previously testified before the Division
6 as a landman?

7 A. Yes.

8 Q. And were your credentials as an expert landman
9 accepted as a matter of record?

10 A. Yes.

11 Q. And are you familiar with the land matters
12 involved in this Application?

13 A. Yes.

14 MR. BRUCE: Mr. Examiner, I'd tender Ms. Moses as
15 an expert petroleum landman.

16 EXAMINER EZEANYIM: Ms. Moses is so qualified.

17 Q. (By Mr. Bruce) Would you please identify Exhibit
18 1 for the Examiner and describe briefly what Samson seeks
19 in this Application?

20 A. Exhibit 1 is a land plat indicating the south
21 half of Section 15, 20 South, 33 East, in Lea County, New
22 Mexico. Samson seeks to pool the south half of Section 15
23 to drill a Morrow well, which is on 320-acre pools, and
24 also the southeast quarter, 160-acre pools.

25 Q. What is the well's location?

1 A. It is 1980 from the south line and 1980 from the
2 east line.

3 Q. Okay, what does Exhibit 2 reflect?

4 A. Exhibit 2 reflects the interests and the parties
5 who we're seeking to pool.

6 Q. Okay, so everyone who's not -- there are a number
7 of additional parties in this well unit, are there not?

8 A. Yes.

9 Q. And everybody else has voluntarily joined in the
10 well?

11 A. Yes, approximately 89 percent of the working
12 interest has joined in the well.

13 Q. Okay --

14 EXAMINER EZEANYIM: Eighty-nine?

15 THE WITNESS: Eighty-nine.

16 Q. (By Mr. Bruce) Let's discuss your efforts to
17 obtain the voluntary joinder of the interest owners in the
18 well. What is Exhibit 3?

19 A. Exhibit 3 is a letter I mailed to all the
20 interest owners, proposing to drill the well. It's dated
21 October 7th, 2005.

22 Q. Besides this letter, have you had contacts with
23 the various interest owners?

24 A. Yes, I've had various phone conversations and
25 e-mails. That is part of the same exhibit, the last page,

1 the synopsis.

2 Q. Okay, so if you go to Exhibit 3, the last few
3 pages show various e-mails, and the final page is a summary
4 of contacts with these parties?

5 A. Yes.

6 Q. Okay. A number -- As you said, a number of
7 people have joined in the well. Have any of the parties on
8 Exhibit 2 indicated they may join but haven't signed an
9 operating agreement yet?

10 A. No, but about ten o'clock last night one decided
11 to join, so Kelly Baxter who is listed on Exhibit 2, does
12 not need to be part of this pooling.

13 Q. Okay. So on Exhibit 2, Kelly Baxter could be
14 removed?

15 A. Yes.

16 Q. Okay. In your opinion, have you made a good-
17 faith effort to obtain the voluntary joinder of the
18 uncommitted interest owners in the well?

19 A. Yes.

20 Q. One thing about Exhibit 2, just for clarification
21 for the Examiner, there's about a 4-1/2-percent interest
22 and four parties are listed and it says "Ownership
23 Uncertain". Could you just briefly say what the issue is?

24 A. Yeah, there were some sales of leasehold,
25 beginning a long time ago, by ConocoPhillips subject to

1 unrecorded letter agreements, and title is not clear as to
2 who owns this land. And for two years I've been trying to
3 ascertain the ownership, and these parties have not been
4 able to resolve it.

5 Q. Okay, so they have not worked to resolve the
6 issue among themselves?

7 A. No, they have not.

8 Q. Okay. So what you seek to pool is whoever owns
9 this interest, and you'll give notice to them all; is that
10 correct?

11 A. That's correct.

12 Q. Okay. What is Exhibit 4?

13 A. Exhibit 4 is an AFE for the drilling of this
14 well.

15 Q. What is the approximate depth?

16 A. 14,000 feet.

17 Q. And what is the completed well cost?

18 A. The completed well cost is \$3,596,780.

19 Q. And are these costs in line with the costs of
20 other wells drilled to this depth in this area of New
21 Mexico?

22 A. Yes, this will be the fourth well Samson has
23 drilled in this immediate area, and the costs are in line.

24 Q. Okay. And do you request that Samson be named
25 the operator of the well?

1 A. Yes.

2 Q. What overhead rates do you propose?

3 A. \$6500 a month for drilling well rates, and \$650 a
4 month for producing.

5 Q. And are these rates equivalent to those normally
6 charged by Samson and other operators in this area for
7 wells of this depth?

8 A. Yes.

9 Q. And are those the rates that are used in Samson's
10 JOA?

11 A. Yes.

12 Q. Finally, were the parties being pooled notified
13 of this hearing?

14 A. Yes.

15 Q. And is that reflected in the affidavit of notice
16 submitted as Exhibit 5?

17 A. Yes.

18 MR. BRUCE: Mr. Examiner, on Exhibit 5 there were
19 -- Well, I can't see where I did it. There are -- In the
20 copies of the green cards, et cetera, there are two
21 interest owners, Roger Elliott and Pure Energy Group, who I
22 never received the green cards back from, but they have
23 joined in the well, so there isn't a notice issue.

24 MS. MacQUESTEN: They're not going to be --

25 MR. BRUCE: They're not going to be pooled.

1 MS. MacQUESTEN: Okay, thank you.

2 Q. (By Mr. Bruce) Were Exhibits 1 through 5
3 prepared by you or under your supervision, or compiled from
4 company business records?

5 A. Yes, they were.

6 Q. And in your opinion is the granting of this
7 Application in the interests of conservation and the
8 prevention of waste?

9 A. Yes.

10 MR. BRUCE: Mr. Examiner, I'd move the admission
11 of Samson Exhibits 1 through 5.

12 EXAMINER EZEANYIM: Exhibits 1 through 5 will be
13 admitted into evidence.

14 Do you have any questions?

15 MS. MacQUESTEN: No questions, thank you.

16 EXAMINATION

17 BY EXAMINER EZEANYIM:

18 Q. How did you determine who you want to pool in
19 this area? Why I'm asking this question is that if you
20 look at your Application, you are pooling from 4000 feet to
21 14,000 feet, approximately, so I don't know, are you
22 pooling from the base of the San Andres or -- you know,
23 this -- what --

24 A. That's the base of the Teas, is --

25 Q. Is that the base of the Teas?

1 A. Yes.

2 Q. So is that -- Okay, the base of the Teas is 4000
3 feet?

4 A. Yeah, about 4000 feet.

5 Q. And how are they concerned there? I mean, if I'm
6 a mineral interest owner and you give me a depth range
7 without mentioning the formation, I mean, I don't know
8 whether I'm supposed to do anything, you know, because I
9 don't know where the 4000 feet started.

10 Because as you know, geology -- your geologist
11 could have told you where it is, you know. It might be
12 base of Teas somewhere and then maybe the top of the San
13 Andres somewhere, depending on how the geology is oriented
14 in that area. So that's why I would prefer -- in your
15 second case, I think you are going to tell me that -- you
16 are going to say base of the San Andres to the base of the
17 base of the Morrow. So that will help anybody, an interest
18 or not, to find out whether he's affected or not.

19 But if you use the depth as a reference point --
20 I don't know, depending on geology, it might be different
21 in different areas.

22 A. There's an operating agreement covering depths
23 from surface to 4000 feet in the development of the Teas.
24 The leasehold owners that we're seeking to pool do not own
25 an interest above 4000 feet. These are all leasehold

1 owners.

2 MR. BRUCE: Yeah, Mr. Examiner, some of these old
3 agreements out here, they didn't put in, like you said,
4 base of such and such a formation; it was a specific depth
5 as measured in, say, the initial test well.

6 Q. (By Examiner Ezeanyim) Well, was that in the
7 JOA?

8 A. Yes --

9 Q. In the JOA it --

10 A. -- yes, it's surface to 4000 feet. And the
11 leasehold owners we're pooling do not own an interest above
12 4000 feet.

13 Q. Okay.

14 A. It was severed a long time ago.

15 Q. And the well is a standard location, 1980 feet
16 from east and south lines?

17 A. Yes.

18 Q. Have you obtained an APD, or what's going on with
19 this well now? When do you hope to drill?

20 A. Immediately.

21 Q. Immediately. Are you telling me that the rig is
22 just available right now?

23 A. Yes.

24 EXAMINER EZEANYIM: I have no more questions,
25 thanks.

1 MR. BRUCE: I have nothing further in this
2 matter, Mr. Examiner.

3 EXAMINER EZEANYIM: Okay. At this point Case
4 Number 13,596 will be taken under advisement.

5 THE WITNESS: Thank you.

6 (Thereupon, these proceedings were concluded at
7 8:30 a.m.)

8 * * *

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13
14 I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 13596
15 heard by me on 12/1/05

16  , Examiner
17 Oil Conservation Division
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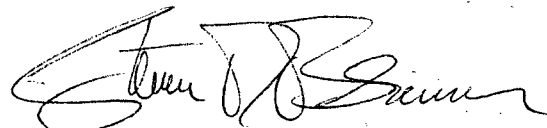
CERTIFICATE OF REPORTER

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 December 1st, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006