

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. 13,615  
APPLICATION OF LATIGO PETROLEUM, INC., )  
FOR COMPULSORY POOLING, LEA COUNTY, )  
NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

February 2nd, 2006

Santa Fe, New Mexico

2006 FEB 16 PM 1 21

5/9/12 LMM

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, February 2nd, 2006, 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

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Examiner Hearing  
CASE NO. 13,615

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	5	7
Exhibit 2	6	7

\* \* \*

## 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

FOR BRIAN SCARBOROUGH, GRAND BANKS ENERGY COMPANY,  
and EVERQUEST ENERGY COMPANY:

KAREN AUBREY  
Attorney at Law  
320 Paseo de Peralta, Suite A  
Santa Fe, New Mexico 87501

## FOR OCCIDENTAL PERMIAN, LTD.:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
110 N. Guadalupe, Suite 1  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: OCEAN MUNDS-DRY

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 9:15 a.m.:

3           EXAMINER JONES: And at this time let's call Case  
4 13,615, continued from January 19th, Application of Latigo  
5 Petroleum, Incorporated, for compulsory pooling, Lea  
6 County, New Mexico.

7           Call for appearances.

8           MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
9 representing the Applicant. I do not have any witnesses.

10          EXAMINER JONES: No other appearances? Any other  
11 appearances?

12          MS. AUBREY: Yes, Karen Aubrey. I represent  
13 Brian Scarborough, Grand Banks Energy Company, and  
14 EverQuest Energy Company, and I'm just here to say that  
15 we've reached an agreement with Latigo, so we're not being  
16 pooled today.

17          EXAMINER JONES: Okay. Those appearances are in  
18 the record, I assume.

19          Any other appearances?

20          MS. MUNDS-DRY: Mr. Hearing Examiner, Ocean  
21 Munds-Dry with the law firm of Holland and Hart,  
22 representing Occidental Permian. Like Ms. Aubrey,  
23 Occidental has also reached an agreement with Latigo, so we  
24 are not, hopefully, being pooled today.

25          EXAMINER JONES: Okay.

1 MR. BRUCE: Well, Mr. Examiner, we are here to  
2 pool Occidental Permian, Ltd., today, because as of  
3 yesterday I had not heard anything about any agreement.  
4 Now, if they have reached terms, I will notify the  
5 Division. This is the week of NAPE down in Houston, so --

6 EXAMINER JONES: Yeah.

7 MR. BRUCE: -- a lot of the landmen are -- and  
8 including my landmen at Latigo, are unavailable. And I  
9 will notify the Division as soon as possible.

10 And I did not know -- Occidental Permian had not  
11 entered -- filed an entry of appearance, so I did not know  
12 they were going to be here today, so...

13 But a couple of things Mr. Examiner. Latigo is  
14 here pooling the south half of Section 10, 16-32. I've  
15 submitted to you as Exhibit Number 1 a statement under Rule  
16 1207-A regarding the pooling.

17 Attached as Exhibit A to the statement is a land  
18 plat showing the south half of Section 10, 16 South, 32,  
19 which is being pooled.

20 If you look at the south half, Ms. Aubrey's  
21 clients own the -- 100 percent of the leasehold in the  
22 southwest quarter, southwest quarter; the southeast  
23 quarter, southeast quarter; and the northeast quarter,  
24 southeast quarter. And Latigo has reached an agreement  
25 with Ms. Aubrey's client and does not seek to pool them.

1           Occidental Permian, Ltd., owns 100 percent of the  
2 working interest in the southeast quarter, southwest  
3 quarter. It's listed as Nearburg, but it is Occidental  
4 Permian, Ltd.

5           The well that we're here for today is the dry  
6 hole in the southwest quarter, the southeast quarter, and  
7 that well is to be re-entered and -- to test the Morrow  
8 formation.

9           This Application originally sought to pool the  
10 southeast quarter and, separately, the south half, but  
11 because Occidental Permian does not own an interest in the  
12 southeast quarter, the only thing sought to be pooled today  
13 is the south half of Section 10.

14           Attached as Exhibit B is the proposal letter that  
15 went out to Occidental Permian in October. And I know  
16 they've been in touch, and the affidavit of Mr. Chatham,  
17 the landman, states that they've been in touch numerous  
18 times over the past several months, and they do want to  
19 reach terms with Occidental.

20           And then attached as Exhibit B [sic] is the AFE  
21 for the re-entry, showing a well cost of just over \$2  
22 million for the re-entry.

23           Submitted as Exhibit 2 is the affidavit of  
24 notice. The proposal letter went out on December 1, and  
25 again it went out to several people, but only -- we're only

1 here today for Occidental Permian, Ltd. And just for your  
2 information, the Chevron USA interest is now owned by Ms.  
3 Aubrey's clients.

4 I would ask that this matter be taken under  
5 advisement. I will check with my landman, and if OXY has  
6 signed a voluntary agreement, whether a farmout or to  
7 commit to the well, I will notify you so that you're not in  
8 any -- I'm not asking for an expedited order or anything.  
9 And hopefully they have come to terms, but I just have not  
10 heard that as of yesterday.

11 EXAMINER JONES: Okay.

12 MR. BRUCE: And I'd move the admission of  
13 Exhibits 1 and 2.

14 EXAMINER JONES: Exhibits 1 and 2 will be  
15 admitted to evidence.

16 And you're abandoning the -- so it's just a  
17 south-half, and it's the Anderson Ranch-Morrow and --

18 MR. BRUCE: Yeah, statewide rules.

19 EXAMINER JONES: Statewide rules.

20 MR. BRUCE: And that proposed -- the re-entry --  
21 I forget when that well was drilled. I probably have that  
22 somewhere in my file --

23 EXAMINER JONES: That's all right.

24 MR. BRUCE: -- is at a -- I think it's 660 from  
25 the south and 1980 from the west.

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EXAMINER JONES: Okay. Do you have any questions?

MS. MacQUESTEN: No questions.

EXAMINER JONES: Okay. With that, we'll take Case 13,615 under advisement.

(Thereupon, these proceedings were concluded at 9:21 a.m.)

\* \* \*

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. \_\_\_\_\_ heard by me on \_\_\_\_\_, 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 February 4th, 2006.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 16th, 2006