

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. 13,732

APPLICATION OF DEVON ENERGY PRODUCTION)
 COMPANY, L.P., FOR COMPULSORY POOLING,)
 EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

July 20th, 2006

Santa Fe, New Mexico

2006 JUL 25 AM 11 23

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, July 20th, 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

July 20th, 2006
Examiner Hearing
CASE NO. 13,732

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	3	5
Exhibit 2	5	5

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A P P E A R A N C E S

FOR THE DIVISION:

CHERYL O'CONNOR
Assistant Counsel, NMOCD
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 8:48 a.m.:

3 EXAMINER EZEANYIM: At this point I call Case
4 Number 13,732. This case was continued from July 6th, and
5 this is the Application of Devon Energy Production Company,
6 L.P., for compulsory pooling.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
9 representing the Applicant. I have no witnesses, I am
10 submitting this case by affidavit.

11 EXAMINER EZEANYIM: Any other appearances?

12 Okay, Mr. Bruce?

13 MR. BRUCE: Mr. Examiner, this case is unopposed,
14 so we are submitting it by affidavit. Submitted to you as
15 Exhibit 1 is the verified statement of the landman,
16 pursuant to Rule 1207.A.(1).

17 If you could move on a couple of pages to the
18 land plat marked as Exhibit A attached to Exhibit 1,
19 Applicant is seeking to force pool the west half of Section
20 22, 19 South, 31 East, in Eddy County. It proposes to
21 drill a Morrow test well. It is seeking not only to pool
22 the 320-acre well unit for formations spaced on 320 acres,
23 it's also seeking to force pool the southwest quarter. The
24 Strawn formation is in the Lusk-Strawn Pool, which is an
25 oil pool spaced on 160 acres. And then it's also seeking

1 to force pool the southeast of the southwest for 40-acre
2 well units.

3 There are a number of people being pooled, but if
4 you'd move on to Exhibit C you will see that a letter,
5 proposal letter, was sent out in mid-April of 2006. So the
6 parties have been negotiating for about three months at
7 this point. And due to rig availability, et cetera, they
8 do plan on drilling the well pretty soon, which is why they
9 are moving forward with the pooling.

10 If you would move back, then, to Exhibit B, which
11 is listing a schedule of all the working interest owners
12 and their interests in the well, if you look at that list
13 Devon Energy Production Company is obviously the Applicant,
14 doesn't need to be pooled. Lothian Oil, the first name on
15 that list, Lothian Oil, Incorporated, has told Devon that
16 it did not want to join in the well and to go ahead and
17 force pool them. So that is the main reason we are here
18 today, because they will just not sign anything and they
19 just want to be force pooled.

20 Shackelford Oil Company has indicated that they
21 will sign a term assignment but it hasn't been executed
22 yet, and so we seek to pool them.

23 All of the other people below that, below Devon
24 Energy's name on this list, have indicated they will join
25 in the well. They have signed AFEs, and they have been

1 provided operating agreements, but they have not signed the
2 operating agreements yet. As their names -- As they sign
3 operating agreements, we will notify the Division so that
4 they are not subject to the pooling order. But as I said,
5 because of drilling schedules we seek to pool them at this
6 point.

7 The Applicant does request a 200-percent risk
8 charge for any interest owner that does not join in the
9 well, and also requests overhead rates of \$6000 per month
10 for a drilling well and \$600 per month for a producing
11 well, which is shown on the second page of the affidavit.

12 Attached as Exhibit D is the AFE for the well.
13 It's an approximate 13,000-foot test with a dryhole cost of
14 about \$1.65 million and a completed well cost of \$2.56
15 million, which the landman says is reasonable for this area
16 for wells of this depth.

17 All of the parties had valid addresses, and
18 submitted as Exhibit 2 is my affidavit of notice with the
19 notice letter and all of the certified return receipts.
20 Again, all the parties were able to be notified in writing,
21 and therefore there is no publication notice.

22 So I would submit Exhibits 1 and 2 and ask that
23 this matter be taken under advisement.

24 EXAMINER EZEANYIM: Exhibits 1 and 2 will be
25 admitted into evidence.

1 I'm looking for the newspaper advertisement. Did
2 you do any?

3 MR. BRUCE: No, because everybody was able to
4 receive written notice. There were not any unlocatable
5 parties.

6 EXAMINER EZEANYIM: So you were able to talk to
7 Lothian, but they said they wanted to go nonconsent?

8 MR. BRUCE: That is correct.

9 EXAMINER EZEANYIM: Do you know the location of
10 this well?

11 MR. BRUCE: It is 990 feet from the south line
12 and 1650 feet from the west line.

13 EXAMINER EZEANYIM: And the depth is -- ?

14 MR. BRUCE: -- 13,000.

15 EXAMINER EZEANYIM: 13,500 or 13,000?

16 MR. BRUCE: 13,000 even.

17 EXAMINER EZEANYIM: And this is a Morrow test?

18 MR. BRUCE: That is correct.

19 EXAMINER EZEANYIM: Have you got any APD for
20 this? Any APD for this well yet?

21 MR. BRUCE: I will check, and I will report back
22 to you, Mr. Examiner. I think it has been approved, but
23 I --

24 EXAMINER EZEANYIM: If you have gotten an APD --

25 MR. BRUCE: I will let you know if there is an

1 API number on it also.

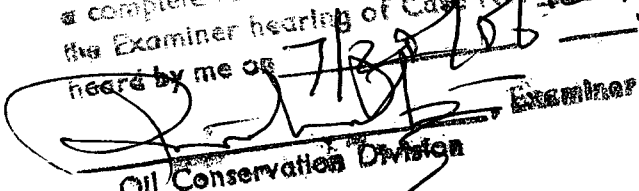
2 EXAMINER EZEANYIM: Okay. Anything further?

3 MR. BRUCE: Nothing further, Mr. Examiner.

4 EXAMINER EZEANYIM: At this point, Case Number
5 13,732 will be taken under advisement.

6 (Thereupon, these proceedings were concluded at
7 8:55 a.m.)

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13 I do hereby certify that the foregoing is
14 a complete record of the proceedings in
15 the Examiner hearing of Case No. 13732
16 heard by me on 7/13/81
17  Examiner
18 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 July 21st, 2006.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006