

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. 13,913

APPLICATION OF OGX PRODUCTION, LTD.,)
FOR COMPULSORY POOLING, EDDY COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Jr., Hearing Examiner

June 7th, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Jr., Hearing Examiner, on Thursday, June 7th, 2007, 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.

* * *

RECEIVED
2007 JUN 21 PM 10:15

I N D E X

June 7th, 2007
 Examiner Hearing
 CASE NO. 13,913

PAGE

REPORTER'S CERTIFICATE

7

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	3	6
Exhibit 2	4	6
Exhibit 3	5	6
Exhibit 4	5	6
Exhibit 5	5	6

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
 117 N. Guadalupe
 P.O. Box 2265
 Santa Fe, New Mexico 87504-2265
 By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 9:12 a.m.:

3 EXAMINER BROOKS: At this time we'll call Case
4 Number 13,913, Application of OGX Production, Ltd., for
5 compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
8 the Santa Fe law firm of Kellahin and Kellahin, appearing
9 on behalf of the Applicant.

10 EXAMINER BROOKS: Other appearances?

11 Very good. Did you have any witnesses?

12 MR. KELLAHIN: No, sir --

13 EXAMINER BROOKS: Doesn't look like it.

14 MR. KELLAHIN: -- I'm going to submit this by
15 affidavit.

16 EXAMINER BROOKS: Very good. You may proceed.

17 MR. KELLAHIN: Mr. Examiner, we're dealing here
18 with a lost interest. The well that has been drilled is
19 being operated by OXY and is shown on Exhibit Number 1.

20 Exhibit 1, in the east half of 23, is the spacing
21 unit for the well. There's a breakdown of the interest
22 involved.

23 Prior to drilling this well, my client OGX
24 believed that it had obtained an appropriate lease from the
25 heirs of a Mr. -- D.W. Lyon, was the name. Mr. Lyon died

1 in '55, and my client believed they had obtained an oil and
2 gas lease from Mr. Lyons' heirs, a Ms. Johnson.

3 The well was then drilled, my client
4 participated. The well was completed in October of '04.

5 Subsequent title information has confirmed that
6 the lease my client obtained is flawed and the Johnson
7 people are, in fact, not the heirs of this particular
8 decedent. They were the heirs of a different D.W. Lyon.

9 Attached to the rest of the exhibits, Number 1
10 shows you the breakdown.

11 Exhibit Number 2, then, is the affidavit of Mr.
12 Coats. He's the landman for OGX. On page 2 of the
13 affidavit is a summary of a short chronology of events, and
14 then if you flip past the affidavit, you're going to come
15 to a series of attachments. Attachment A is the last known
16 address of the decedent.

17 Exhibit Number 3 [sic] again is a compilation of
18 the interest owners within the spacing unit.

19 Exhibit 4 then -- Exhibit C attached is then a
20 very detailed discussion of all the efforts that have gone
21 through obtaining the interest of what they thought was Mr.
22 Lyon with subsequent contacts with Mrs. Jones, the further
23 discussions of all that information.

24 And finally ending on page 4, having exhausted
25 what they believe to be all efforts to find the surviving

1 heirs of Mr. Lyon, they have simply exhausted all those
2 chances.

3 On that basis, then, we are asking the Division
4 to issue a pooling order for this lost interest.

5 Further attached to the affidavit is the overhead
6 rates that they're proposing, which would be \$6000 drilling
7 well rate and \$600 a month producing well rate. There's a
8 copy of the permit. It shows the AFE costs. Total
9 completion costs were a million, five.

10 Exhibit Number 3, then, is a consent letter from
11 OXY consenting to have my client file a pooling case to
12 cure the lost interest.

13 Exhibit 4 is my affidavit of notice. The only
14 party to whom we could get notice was Gail Johnson, the
15 lady that executed the flawed lease. She's accepted the
16 return receipt card.

17 Mr. Lyon is deceased, and so we had a notice of
18 publication issued in the Artesia paper and specifically
19 named in the notice for hearing in this case any unknown
20 heirs of D.L. Lyon --

21 EXAMINER BROOKS: D.W. Lyon?

22 MR. KELLAHIN: Yeah, D.W. Lyon and Gail Johnson
23 and Paul Johnson.

24 EXAMINER BROOKS: Yeah, I believe you did what I
25 really think Mr. Bruce should have done in the last case.

1 So yeah, I think that was the way to do it.

2 MR. KELLAHIN: And I thought so all along. I've
3 always followed the procedure you use in a quiet title
4 suit.

5 EXAMINER BROOKS: Right.

6 MR. KELLAHIN: In the publication you name all
7 the parties that you can't find or believe are lost, so
8 that's what we've done here.

9 EXAMINER BROOKS: My opinion would be, that's the
10 appropriate way to do it.

11 MR. KELLAHIN: With that introduction, Mr.
12 Examiner, we move the introduction of Exhibits 1 through --
13 I believe it's 4?

14 EXAMINER BROOKS: Five, I --

15 MR. KELLAHIN: I'm sorry, 5.

16 EXAMINER BROOKS: One through 5 are admitted.

17 MR. KELLAHIN: Thank you.

18 EXAMINER BROOKS: If there's nothing further,
19 then Case Number 13,913 will be taken under advisement.

20 (Thereupon, these proceedings were concluded at
21 9:19 a.m.)

22 * * *

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
25 the Examiner hearing of Case No. _____
heard by me on _____

Examiner

Oil Conservation Division

STEVEN T. BRENNER, CCR
(505) 989-9317

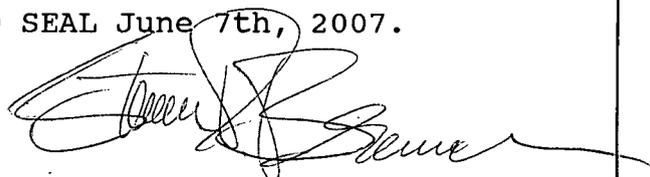
CERTIFICATE OF REPORTER

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 June 7th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010