

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: )  
APPLICATION OF PARALLEL PETROLEUM )  
CORPORATION FOR COMPULSORY POOLING, )  
CHAVES COUNTY, NEW MEXICO )

CASE NO. 13,916

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

May 10th, 2007

Santa Fe, New Mexico

2007 MAY 24 AM 11:34

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, May 10th, 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.

\* \* \*

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May 10th, 2007  
 Examiner Hearing  
 CASE NO. 13,916

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## A P P E A R A N C E S

## FOR THE DIVISION:

DAVID K. BROOKS, JR.  
Assistant General Counsel  
Energy, Minerals and Natural Resources Department  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

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 10:27 a.m.:

3           EXAMINER CATANACH: Call Case 13,916, the  
4 Application of Parallel Petroleum Corporation for  
5 compulsory pooling, Chaves County, New Mexico.

6           Call for appearances.

7           MS. MUNDS-DRY: Mr. Examiner, Ocean Munds-Dry  
8 with the law firm of Holland and Hart, here representing  
9 Parallel Petroleum Corporation this morning.

10          EXAMINER CATANACH: Okay. Any additional  
11 appearances?

12          There being none, you may proceed.

13          MS. MUNDS-DRY: Thank you, Mr. Examiner.

14          Parallel is requesting an order pooling certain  
15 mineral interest owners in Section 28, Township 15 South,  
16 Range 25 East, in Chaves County. I'm presenting this case  
17 by affidavit this morning.

18          These are owners of interests that have not been  
19 found or do not oppose the application. All leased mineral  
20 owners in the proposed unit area have voluntarily agreed to  
21 pool their interests except for certain mineral interest  
22 owners which I'll discuss in a little bit.

23          Exhibit 1 is the affidavit of Aaron Myers, who is  
24 the landman and discusses the project in the affidavit.

25          Attachment A to the affidavit is a plat of the

1 subject lands. The first page shows the proposed spacing  
2 unit and well location, and the second page shows the  
3 ownership interests, sort of carved out for you there. The  
4 first map shows it a little bit more clearly.

5 The well is to be located -- The well is called  
6 the Unbridled 1525-28 Well Number 1, and it is to be  
7 drilled at a surface location 1880 feet from the south  
8 line, 237 feet from the east line, and a bottomhole  
9 location 1880 feet from the south line and 660 feet from  
10 the east line, to an approximate depth of 4750.

11 Attachment B is a list of the working interest  
12 owners. What Mr. Myers has done here is, in red he has  
13 shown those interest owners who have not been located, and  
14 has indicated their interests in the well, and he's also  
15 indicated on here the lessee. He's divided up their unit  
16 interest and their working interest, so hopefully that  
17 makes sense. But it shows you at the end there the total  
18 for each particular tract that he was looking at that is  
19 outstanding, in red at the bottom there.

20 And then the last page gives you the overall  
21 Parallel interest, the working interest total, and that  
22 which is outstanding from those interest owners who have  
23 not been located, which is .22764.

24 Attachment C is a summary of the efforts to  
25 locate the mineral interest owners in this case. Those

1 interest owners that have not been found are Chapman Webb,  
2 Edna Pearl Chapman [sic], J.P. Chapman [sic], Frieda  
3 Chapman, the Sexton Family Trust, L.E. Gross, Michael Olen  
4 Gross, Roy Hanceford Gross, Carolyn G. Ray, Myrtis Sexton  
5 Ashy, and Sallie Jean Skaggs Simpson.

6 You'll also note on here the New Mexico  
7 Department of Transportation. The county records indicated  
8 that the -- I believe it was the previous thing, it was the  
9 State Highway Department, whatever the previous name was  
10 before they changed it to the Department of Transportation,  
11 had a mineral interest, a small one. I believe it's  
12 indicated in Attachment B here.

13 EXAMINER CATANACH: Page 2.

14 MS. MUNDS-DRY: And it's NMDOT, it's on the  
15 second page. It shows that a working interest of .02777.

16 In any event, the landman contacted the New  
17 Mexico Department of Transportation, and they claim they do  
18 not own any minerals. So we did send them a letter  
19 offering to lease our interest, but there has been no  
20 response. So we're sort of in a quagmire with the New  
21 Mexico Department of Transportation, as they claim they do  
22 not own the minerals in this case.

23 But as you can see here in this summary, numerous  
24 attempts were made to locate each of these individuals by  
25 phone, by looking on Internet websites, by looking, of

1 course, in the county records, and those interest owners  
2 that we had last known addresses, which you'll see in just  
3 a moment here in Attachment D, we did send letters to --  
4 offering to lease their interest or ask them to participate  
5 in the well. And as we'll see here, we also sent them  
6 notice, of course, of this hearing, which we'll get into in  
7 just a moment. But that does give you a summary of all of  
8 their efforts.

9 Attachment D, as I mentioned, is a copy of the  
10 well proposal letter that was sent to each interest owner  
11 who had a last known address, and you should have a copy  
12 for Carolyn G. Ray, Sallie Jean Skaggs Simpson -- EOG you  
13 can ignore, because they have since committed to the well  
14 -- and the New Mexico Department of Transportation. And no  
15 response has been received to any of those well-proposal  
16 letters.

17 Attachment E is a copy of the AFE sent to those  
18 interest owners that were locatable.

19 Attachment F is the APD. The reason I included  
20 this, Mr. Examiner, is, the last time I looked on the  
21 website I did not see that it was posted yet, so just in  
22 case it has not been posted yet this gives you a copy of it  
23 in any event.

24 And then Exhibit 2 includes the packet of the  
25 affidavit of publication, which was of course issued for

1 those interest owners we did not have any address for. And  
2 then a list is included there of the interest owners who we  
3 did have the last known addresses for, along with the  
4 letter that was sent to them, and you will see for each  
5 certified mail receipt, the mail came back for all but the  
6 New Mexico Department of Transportation. They were  
7 returned as either not having a proper address or not being  
8 at that address.

9 Parallel therefore seeks an order pooling the  
10 interest of the above-referenced individuals. Parallel  
11 proposes overhead charges of \$5000 per month while drilling  
12 and \$500 per month while producing. Parallel also requests  
13 that it be designated the operators of the well and the  
14 spacing unit.

15 And as Mr. Myers testifies to in his affidavit,  
16 approval of this Application will avoid the drilling of  
17 unnecessary wells, will prevent waste, will protect  
18 correlative rights, and allow Parallel and the other  
19 interest owners in the south half of Section 28 an  
20 opportunity to obtain their just and fair share underlying  
21 the subject land.

22 And with that, I would ask that Exhibit 1 and its  
23 attachments and Exhibit 2 be admitted into evidence.

24 EXAMINER CATANACH: Exhibit 1 with attachments  
25 and Exhibit 2 will be admitted as evidence in this case.

1 Anything further?

2 MS. MUNDS-DRY: Nothing further.

3 MR. BROOKS: Looking at the notice of publication  
4 here. This notice of publication is not addressed to  
5 anyone by name; is that correct?

6 MS. MUNDS-DRY: That is correct.

7 MR. BROOKS: Okay. I really should have my  
8 rulebook here, but I think I'm not going to follow up on  
9 this at this time. Obviously, we're going in several  
10 different directions on the way we do these notices of  
11 publication. And, you know, we had that case with Mr. Hall  
12 where we had the notice that was addressed to some of the  
13 people and not to others. This isn't addressed -- not  
14 addressed to anybody. It's just a notice that identifies  
15 that the land is -- Let's see, yeah, it does identify the  
16 land, makes it a -- and that's probably -- I don't think  
17 there's anything that says in the Rule one way or another  
18 how the notice needs to be drawn.

19 MS. MUNDS-DRY: And Mr. Brooks, I could be wrong  
20 about this, but I don't believe we -- when we have these  
21 type of pooling cases that we've included the names in the  
22 legal notice, but --

23 MR. BROOKS: Yeah, some other attorneys have.  
24 I'm not sure if you all have or not. I --

25 MS. MUNDS-DRY: I don't believe we have.

1 MR. BROOKS: -- know a couple of them that I  
2 wrote, with Jim Bruce, I did the same thing I did with  
3 Scott Hall because they had some of the names and not  
4 others, and I made them republish it and include all the  
5 names.

6 But without the rule before me -- and I'm not  
7 sure what it says, but this is -- this will probably work.  
8 Let me look at that before I -- I will get back to David if  
9 I think there's anything that needs to be changed on this.

10 EXAMINER CATANACH: Well, should we leave the  
11 record open, or should we --

12 MR. BROOKS: Let's leave the record open for the  
13 time being. I'll get back to you in the next couple of  
14 days because I don't want to delay it any more than  
15 necessary, but I -- you know, rather than have everybody  
16 sit around here while I go get the rule and study it.

17 EXAMINER CATANACH: Well, do you want to just  
18 submit something to me saying that this is either okay or  
19 not okay?

20 MR. BROOKS: Yeah, I will.

21 EXAMINER CATANACH: But if we -- Do we want to  
22 continue it for two weeks?

23 MR. BROOKS: Whatever you think is -- that might  
24 be the best thing to do, because then -- of course, if we  
25 had to -- if I told them -- or if we told them to

1 republish, it would take four weeks. But --

2 EXAMINER CATANACH: Well, let's continue it for  
3 two weeks, and then I'll let you know --

4 MR. BROOKS: Okay --

5 EXAMINER CATANACH: -- what we determined.

6 MR. BROOKS: -- that would --

7 MS. MUNDS-DRY: Sure. And we'd, of course,  
8 appreciate knowing so that we can --

9 MR. BROOKS: Yeah.

10 MS. MUNDS-DRY: -- get it consistent with how you  
11 want it in the future.

12 MR. BROOKS: Right. And it may be that I will  
13 say that it's okay on this one because -- and I've done  
14 that on some things where I had the questions about the  
15 notice, I've said it's -- well, it's not clearly defective  
16 so I'm going to let it go on this one, but I'll suggest  
17 that we do it differently in the future, just out of an  
18 abundance of caution, and that probably -- that would  
19 likely be where I'll end up. But I'll let David know after  
20 I've checked the rule and be sure I know what it says.

21 EXAMINER CATANACH: Okay. There being nothing  
22 further, Case 13,916 will be continued to May 24th.

23 (Thereupon, these proceedings were concluded at  
24 10:40 a.m.)

25

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 13916,  
\* \* heard by me on May 10, 2007

*David H. Catanach*, Examiner

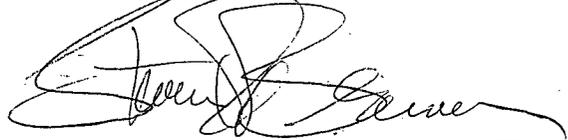
## CERTIFICATE OF REPORTER

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 May 14th, 2007.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 16th, 2010