

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. 13,946  
APPLICATION OF ENERGEN RESOURCES )  
CORPORATION FOR COMPULSORY POOLING, )  
RIO ARRIBA COUNTY, NEW MEXICO )  
 )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

August 23rd, 2007

Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Jr., Hearing Examiner, on Thursday, August 23rd, 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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## I N D E X

August 23rd, 2007  
Examiner Hearing  
CASE NO. 13,946

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<u>BROOKS J. BOEDECKER</u> (Landman)	
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\* \* \*

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\* \* \*

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

FOR THE APPLICANT:

MILLER STRATVERT, P.A.  
 150 Washington  
 Suite 300  
 Santa Fe, New Mexico 87501  
 By: J. SCOTT HALL

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   2:43 p.m.:

3           EXAMINER BROOKS: At this time we'll call Case  
4   Number 13,946, the Application of Energen Resources  
5   Corporation for compulsory pooling, Rio Arriba County, New  
6   Mexico.

7           Call for appearances.

8           MR. HALL: Mr. Examiner, Scott Hall of the Miller  
9   Stratvert law firm, Santa Fe, appearing on behalf of the  
10   Applicant, Energen Resources Corporation. I have one  
11   witness this afternoon.

12           EXAMINER BROOKS: Will the witness state your  
13   name, please?

14           MR. BOEDECKER: Brooks Boedecker.

15           EXAMINER BROOKS: Mr. Boedecker, would you please  
16   stand to be sworn?

17           (Thereupon, the witness was sworn.)

18                       BROOKS J. BOEDECKER,  
19   the witness herein, after having been first duly sworn upon  
20   his oath, was examined and testified as follows:

21                               DIRECT EXAMINATION

22   BY MR. HALL:

23           Q. For the record, please state your name, sir.

24           A. My name is Brooks Boedecker.

25           Q. And Mr. Boedecker, where do you live?

1 A. I reside in Farmington, New Mexico.

2 Q. By whom are you employed and in what capacity?

3 A. Energen Resources Corporation as a district  
4 landman.

5 Q. Now you've not previously testified before the  
6 Division; is that correct?

7 A. That's correct.

8 Q. Would you give the Hearing Examiner a brief  
9 summary of your educational background and work experience?

10 A. A degree in economics from the University of  
11 Montana in 1976 and 30 years of active land work throughout  
12 the United States.

13 Q. Now working the San Juan Basin?

14 A. Now working the San Juan Basin.

15 Q. And you're familiar with the Application that's  
16 been filed in this case?

17 A. Yes.

18 Q. And you're familiar with the lands that are the  
19 subject of the Application?

20 A. Yes.

21 MR. HALL: At this point, Mr. Examiner, we'd  
22 offer Mr. Boedecker as a qualified expert petroleum  
23 landman.

24 EXAMINER BROOKS: He is so qualified.

25 Q. (By Mr. Hall) Mr. Boedecker, if you would,

1 please, sir, briefly explain what Energen seeks by its  
2 Application.

3 A. Energen is seeking to pool the unjoined mineral  
4 interests situated in the west half of Section 13, in order  
5 to horizontally drill the Navajo Lake 103 well in the  
6 Basin-Coal Fruitland Gas Pool, and we seek only to pool the  
7 interest of the Fruitland Coal and not any other  
8 formations.

9 Q. And the section is in 32 North, 6 West; is that  
10 right?

11 A. That's correct.

12 Q. Let's turn to the exhibits. If we look at  
13 Exhibit 1, is that a copy of Energen's approved C-102  
14 acreage dedication plat for the well?

15 A. Yes, it is.

16 Q. And can the Hearing Examiner obtain the well  
17 locations from that exhibit?

18 A. Yes, he can.

19 Q. Okay, let's look at Exhibit 2. What does Exhibit  
20 2 show us?

21 A. Exhibit 2 shows the seven tracts of land that  
22 comprise the spacing unit consisting of the west half of  
23 Section 13 in Township 32 North, Range 6 West.

24 Q. And the interest that Energen seeks to pool, they  
25 are located in tracts 5 and 6; is that correct?

1 A. That's correct.

2 Q. And we're talking about how many net acres that  
3 you seek to pool today?

4 A. How many net mineral acres are we seeking to  
5 pool?

6 Q. Let's do this, let's turn to Exhibit 3.

7 A. Okay.

8 Q. What does Exhibit 3 tell us?

9 A. Exhibit 3 tells us what percentage ownership  
10 Energen has, what Energen has leased within Section 13, the  
11 west half.

12 Q. And does it show the percentage of interest  
13 currently dedicated to the well?

14 A. Yes.

15 Q. And percentage is that?

16 A. We currently have under lease 96.30922 -- -24  
17 percent.

18 Q. Okay. And Exhibit 3 shows ownership on a 320-  
19 acre basis; is that correct?

20 A. That's correct.

21 Q. Okay. Now the ownership that's expressed on  
22 Exhibit Number 3, that's not necessarily record title  
23 ownership; is that correct?

24 A. That's correct.

25 Q. Does it show the apparent owners of interest that

1 you're seeking to pool?

2 A. Yes, it does.

3 Q. All right. How long has Energen owned its leased  
4 interest in the west half of Section 13?

5 A. Energen has owned leases within Section 13, the  
6 west half, since August of 2001.

7 Q. All right. And are both of your drilling permits  
8 and C-102s for the well approved by the BLM and OCD?

9 A. Yes.

10 Q. And approximately when were they approved?

11 A. The C-101 was approved in September of 2006, and  
12 the C-102 was approved in February of 2006.

13 Q. Okay. Let's turn to Exhibit 4. Energen is  
14 seeking to pool unleased mineral interests, correct?

15 A. Correct.

16 Q. All right. What does Exhibit 4 demonstrate?

17 A. Exhibit 4 demonstrates the leasehold position  
18 Energen owns within the seven tracts of land that comprise  
19 the spacing unit for the interest of Section 13, the west  
20 half.

21 Q. And the ownership for tracts 5 and 6 expressed  
22 here are not necessarily record title ownership; is that  
23 right?

24 A. That's correct.

25 Q. Again, so we're talking about -- can you explain

1 to the Hearing Examiner what is the record title ownership  
2 in those two tracts that we're seeking to pool?

3 A. The actual record title ownership of those two  
4 tracts involves the heirs. There are six mineral owners  
5 involved in the heirs of Manuelita C. Martinez, there are  
6 two heirs involved in the estate of Mary C. Laurance. We  
7 have one unlocatable mineral owner in Linda Salazar. We  
8 have an heir of the estate of Ray G. Martinez, Jr. And we  
9 have three heirs in the estate of Juanita C. Mowbray.

10 Q. All right, let's take these one at a time. So  
11 you have four separate chains of title to unleased mineral  
12 interests?

13 A. That is correct.

14 Q. And what is shown here on the exhibit is the  
15 apparent ownership, the apparent heirship; is that right?

16 A. That is correct.

17 Q. Let's take these one by one. For Manuelita C.  
18 Martinez, which of those interest owners are the apparent  
19 heirs of that estate?

20 A. The apparent heirs of that estate are Tommy  
21 Candelaria, Roxanne Vredeveld -- or Vredeveld -- Tim A.  
22 Candelaria, Jeff A. Candelaria, Hope Candelaria and Joseph  
23 H. Candelaria.

24 Q. All right. The next two interests shown on that  
25 spreadsheet, Michele Gorman and Michael Laurance, what's

1 the status of those interests?

2 A. They are the heirs of the estate of Mary C.  
3 Laurance.

4 Q. All right. And have those interests been leased?

5 A. No.

6 Q. And the next interest owner, Linda G. Salazar?

7 A. Linda G. Salazar is an unlocatable mineral owner.

8 Q. All right. The next interest owner, Marie L.  
9 Krueger, is that interest leased?

10 A. Yes, it is.

11 Q. The next of the four chains, Ray G. Martinez, is  
12 LaVonda Maloney the apparent heir to that interest?

13 A. Yes, she is.

14 Q. Now for the interests of Juanita C. Mowbray, who  
15 are those apparent heirs?

16 A. Robert Mowbray, Roxanne Mowbray and Richard  
17 Mowbray.

18 Q. All right. Did Energen commission a title  
19 opinion for this well?

20 A. Yes, we did.

21 Q. And did the opinion indicate that these interests  
22 were unprobated? Is that our problem here?

23 A. That's correct.

24 Q. Okay. Knowing that, did Energen seek to obtain  
25 the joinder of the interests of the apparent heirs for each

1 of these four chains of title?

2 A. Yes, we did.

3 Q. Okay. Let's turn to Exhibit 5. Is Exhibit 5 a  
4 compilation of letters and offers to participate, offers to  
5 lease, directed to the apparent heirs of Manuelita C.  
6 Martinez?

7 A. Yes, and other heirs.

8 Q. All right. I won't ask you to go through each  
9 and every one of those, but you've covered all of the heirs  
10 for Manuelita C. Martinez's interests; is that correct?

11 A. Yes.

12 Q. Okay. Let's look at Exhibit 6. Is Exhibit 6 the  
13 compilation of letters, offers to lease, offers to  
14 participate, directed to the heirs of Juanita C. Mowbray?

15 A. Yes.

16 Q. Okay. Let's turn to Exhibit 7. What is Exhibit  
17 7?

18 A. Exhibit 7 was a letter sent out to parties that  
19 we thought may be able to help us find where Linda Gayle  
20 Salazar lived.

21 Q. All right, and were those efforts successful?

22 A. No, they were not.

23 Q. And so she remains an unlocatable mineral  
24 interest owner?

25 A. That's correct.

1 Q. Let's look at Exhibit 8. Is Exhibit 8 a  
2 compilation of the letters offering to lease or to have the  
3 interest owner participate for the interests of the heirs  
4 of Ray G. Martinez?

5 A. Yes.

6 Q. And is that LaVonda Maloney?

7 A. Yes.

8 Q. All right. And again, what's the status of that  
9 interest?

10 A. Unleased.

11 Q. All right. With respect to the mineral interest  
12 that Energen seeks to pool, does Energen also seek the  
13 imposition of a 200-percent risk penalty against the  
14 statutory working interests for the pooled interests?

15 A. Yes.

16 Q. And does Energen also seek to be designated  
17 operator for the well?

18 A. Yes.

19 Q. In your opinion, Mr. Boedecker, has Energen made  
20 a good-faith effort to identify ownership of all the  
21 interests in the well, locate those interest owners, and  
22 obtain their voluntary participation in the well?

23 A. Energen has made a diligent effort in doing so.

24 Q. Would you tell the Hearing Examiner where the  
25 wellbore first encounters the Fruitland Coal formation in

1 the west half of Section 13?

2 A. The well first encounters the Fruitland Coal  
3 formation 660 feet from the south line and 2014 feet from  
4 the west line.

5 Q. Now will the producing area for the well be  
6 contained within an area that's 660 feet from the sides and  
7 ends of the unit?

8 A. Yes.

9 Q. Let's turn to Exhibit 9, your AFE exhibit. Would  
10 you review the dryhole and completed well costs for the  
11 Hearing Examiner?

12 A. The dryhole costs are \$875,679.88, the completed  
13 well cost equals \$731,628.25 for a total completed cost of  
14 \$1,607,308.13.

15 Q. And are you satisfied that those well costs are  
16 in line with what's being charged by other operators --

17 A. Yes.

18 Q. -- of similar wells in the San Juan Basin?

19 A. Yes.

20 Q. Have you made an estimate of the overhead and  
21 administrative rates for drilling and producing the well?

22 A. Yes, we have.

23 Q. And what are those?

24 A. \$5700 per month for the drilling overhead rate  
25 and \$575 a month for the producing rate.

1 Q. All right. And are those costs also comparable  
2 to rates being charged by other operators --

3 A. Yes --

4 Q. -- of similar wells?

5 A. -- they are.

6 Q. And are you recommending that these rates be  
7 incorporated to -- in the order that's to be issued by the  
8 Division?

9 A. Yes.

10 Q. And does Energen also request that the order  
11 provide for an adjustment of the drilling and producing  
12 overhead rates in accordance with the COPAS bulletin?

13 A. Yes.

14 Q. In your opinion, Mr. Boedecker, would granting  
15 Energen's Application be in the interests of conservation,  
16 the prevention of waste and the protection of correlative  
17 rights?

18 A. Yes.

19 Q. Now, were Exhibits 1 through 9 prepared by you or  
20 at your direction?

21 A. Yes, they were.

22 MR. HALL: At this point, Mr. Examiner, we'd  
23 offer the admission of Exhibits 1 through 9.

24 We'd also offer Exhibit 10 which is my notice  
25 affidavit, and Exhibit 11 which is the affidavit of

1 publication in the *Rio Arriba County Sun*. The case was  
2 published on three separate occasions, and we verified in  
3 this case that we advertised for the interest owners of the  
4 four chains of title that are unprobated. And to the  
5 extent where we could notify apparent heirs, they were both  
6 notified and advertised by publication as well.

7 EXAMINER BROOKS: Okay, Exhibits 1 through 11  
8 will be admitted.

9 I hadn't read through this entire affidavit. The  
10 OCD rule on notification says that you notify owners who  
11 have not committed to the unit according to -- whose  
12 interests are of record, or words to that effect.

13 Now the notice -- you've listed -- the presumed  
14 heirs are the ones you've identified. Have you also listed  
15 or made a reference to unknown heirs of the deceased  
16 persons that are -- whose interest show of record?

17 MR. HALL: If you'll look at the affidavit of  
18 publication --

19 EXAMINER BROOKS: I am looking at it, yes, and I  
20 hadn't read it, so tell me where --

21 MR. HALL: Well, it indicates to the following  
22 individuals or their estates, heirs, successors and  
23 assigns.

24 EXAMINER BROOKS: Okay.

25 MR. HALL: I won't read each and every one of

1 those for you --

2 EXAMINER BROOKS: Yeah, you have --

3 MR. HALL: -- but --

4 EXAMINER BROOKS: -- Manuelita C. Martinez as a  
5 deceased.

6 MR. HALL: Yes, we have identified the four  
7 record title interest owners.

8 EXAMINER BROOKS: So each of them is in this  
9 list?

10 MR. HALL: That's correct.

11 EXAMINER BROOKS: Okay, very good. I think it's  
12 taken care of. Thank you.

13 No further questions.

14 If there's nothing further, Case Number 13,946  
15 will be taken under advisement.

16 (Thereupon, these proceedings were concluded at  
17 3:02 p.m.)

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 13946  
heard by me on 8/23 2007.

David K. Brooks Examiner  
Oil Conservation Division

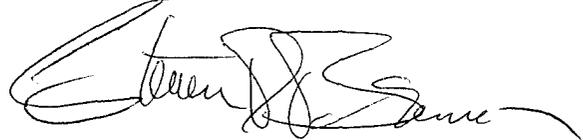
## CERTIFICATE OF REPORTER

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 August 29th, 2007.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 16th, 2010