

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 DEVON ENERGY PRODUCTION)
COMPANY, LP, FOR COMPULSORY POOLING,)
EDDY COUNTY, NEW MEXICO)

CASE NO. 14,011

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Technical Examiner
DAVID K. BROOKS, Jr., Legal Examiner

October 18th, 2007

Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Technical Examiner, DAVID K. BROOKS, Jr., Legal Examiner, on Thursday, October 18th, 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.

* * *

I N D E X

October 18th, 2007
Examiner Hearing
CASE NO. 14,011

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<u>BRETT A. HUDSON</u> (Landman)	
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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* * *

1 WHEREUPON, the following proceedings were had at
2 9:14 a.m.:

3 EXAMINER EZEANYIM: At this point I will call
4 Case Number 14,011, and this is the Application of Devon
5 Energy Production Company for compulsory pooling, Eddy
6 County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
9 representing the Applicant. I have one witness.

10 EXAMINER EZEANYIM: Any other appearance?
11 May the witness stand up to be sworn, please?
12 (Thereupon, the witness was sworn.)

13 EXAMINER EZEANYIM: Mr. Bruce?

14 BRETT A. HUDSON,
15 the witness herein, after having been first duly sworn upon
16 his oath, was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Would you please state your name for the record?

20 A. Brett Hudson.

21 Q. And where do you reside?

22 EXAMINER EZEANYIM: Brett what?

23 THE WITNESS: Brett Hudson.

24 EXAMINER EZEANYIM: Hudson?

25 THE WITNESS: Yes, sir. Oklahoma City, Oklahoma.

1 Q. (By Mr. Bruce) Who do you work for and in what
2 capacity?

3 A. Devon Energy Production Company, I'm a landman in
4 southeast New Mexico.

5 Q. Have you previously testified before the
6 Division?

7 A. Yes, sir.

8 Q. And were your credentials as an expert petroleum
9 landman accepted as a matter of record?

10 A. Yes, sir.

11 Q. And are you familiar with the land matters
12 involved in this particular Application?

13 A. Yes, sir.

14 MR. BRUCE: Mr. Examiner, I'd tender Mr. Hudson
15 as an expert petroleum landman.

16 EXAMINER EZEANYIM: Yeah, Mr. Hudson, I know you
17 have testified. Do you happen to be a certified petroleum
18 landman?

19 THE WITNESS: No, sir, I do not.

20 EXAMINER EZEANYIM: Okay, that's okay. Mr.
21 Hudson is qualified to testify today.

22 Q. (By Mr. Bruce) Mr. Hudson, could you identify
23 Exhibit 1 and describe what Devon seeks in this case?

24 A. Yes, sir, it is a Midland map plat, and it's
25 highlighted showing the north half of Section 15, 19 South,

1 31 East. And we're seeking an order to pool the north half
2 of Section 15 from the surface to the base of the Morrow
3 formation.

4 Q. And what is the name of your proposed well?

5 A. It's going to be the Acme 15 Fed Com Number 3,
6 and it's going to be located in the northwest quarter of
7 the northeast quarter of Section 15.

8 Q. What is the working interest ownership in the
9 well unit?

10 A. Devon and its partners own 62-1/2-percent working
11 interest, and Occidental Permian, Ltd., owns the remaining
12 37 1/2 percent.

13 Q. And is the only party being pooled Occidental
14 Permian?

15 A. Yes, sir.

16 Q. What is Exhibit 2?

17 A. It is a copy of several proposal letters we've
18 sent to OXY requesting farmouts, term assignments, and the
19 well proposal for the Acme 15 Fed Com Number 3.

20 Q. Okay. And besides the letters have you had e-
21 mails and phone conversations with OXY?

22 A. Yes, I spoke to some people at OXY probably 10 or
23 so times over the past six months and tried to purchase
24 something from them, but we just haven't been able to reach
25 anything at this date.

1 Q. In your opinion, has Devon made a good faith
2 effort to obtain the voluntary joinder of OXY in the
3 proposed well?

4 A. Yes, sir.

5 Q. Would you identify Exhibit 3 for the Examiner?

6 A. Yes, it is the AFE for the well, and it's
7 reflective that the dryhole costs of this project are
8 approximately \$1.6 million, completed costs are around \$2.6
9 million.

10 Q. What is the approximate depth of this well, do
11 you know?

12 A. It's about 12,900.

13 Q. Is the proposed cost of this well in line with
14 the cost of other wells drilled to this depth in this area
15 of Eddy County?

16 A. Yes, sir.

17 Q. Do you request that Devon be named operator of
18 the well?

19 A. Yes, sir.

20 Q. Do you have a recommendation for the amounts
21 which Devon should be paid for supervision and
22 administrative expenses?

23 A. Yes, we request that it be \$6000 a month while
24 drilling the well and \$600 a month while the well is
25 producing.

1 Q. Are these amounts equivalent to those normally
2 charged by Devon and other operators in this area for wells
3 of this depth?

4 A. Yes, sir.

5 Q. And do you request that this rate be periodically
6 adjusted according to the COPAS accounting procedure?

7 A. Yes, sir.

8 Q. Does Devon request the maximum cost-plus-200-
9 percent risk charge against OXY if it goes nonconsent in
10 this well?

11 A. Yes.

12 Q. And was OXY notified of this hearing?

13 A. Yes, sir.

14 Q. Is reflected in the affidavit submitted as
15 Exhibit 4?

16 A. Yes, it is.

17 Q. And were Exhibits 1 through 4 prepared by you or
18 under your supervision or compiled from company business
19 records?

20 A. Yes, they were.

21 Q. And in your opinion is the granting of this
22 Application in the interests of conservation and the
23 prevention of waste?

24 A. Yes, sir.

25 Q. Now one final matter, Mr. Hudson. Normally a

1 pooling order gives 90 to 120 days to commence the drilling
2 of the well. Do you request a maximum period of time in
3 the well commencement?

4 A. Yes, we do.

5 Q. Has OXY requested that so that they can make a
6 decision early next year on joining in --

7 A. Yes, they have.

8 Q. -- the well? Okay --

9 EXAMINER EZEANYIM: Could you say that again?
10 They are trying to -- certain information before they know
11 whether to join?

12 MR. BRUCE: Yeah.

13 THE WITNESS: Uh-huh.

14 EXAMINER EZEANYIM: Yeah, okay.

15 THE WITNESS: Yeah, they're evaluating it, and
16 they've requested that we get the maximum amount of time on
17 the pooling because they may join in 2008. At this time
18 they aren't able to join, but they're evaluating in --
19 potentially in 2008, be able to join in the well.

20 EXAMINER EZEANYIM: But if the order is approved,
21 you are given 120 days, which is -- Oh, yeah, okay. Is
22 that enough?

23 MR. BRUCE: I think so. And if possible -- and
24 you know, at that time we could seek an extension. But OXY
25 did call again yesterday and said that due to budgetary

1 reasons they would prefer the well to be commenced next
2 year, and Devon does not oppose that.

3 EXAMINER EZEANYIM: Okay.

4 EXAMINER BROOKS: Okay, the way we normally write
5 those orders, they have 30 days to make their election
6 after the operator sends them the schedule of costs.

7 Do you want that provision of the order
8 different, or --

9 MR. BRUCE: Yeah, perhaps we could ask that the
10 election notice won't be sent until after January 1, 2008.

11 EXAMINER BROOKS: Okay.

12 EXAMINER EZEANYIM: This is a special request?

13 MR. BRUCE: Yes, sir.

14 THE WITNESS: Yes.

15 EXAMINER EZEANYIM: Go ahead.

16 MR. BRUCE: I have nothing further, Mr. Examiner.

17 EXAMINER EZEANYIM: The exhibits, Exhibits 1 and
18 2 -- How many? There's 1 through 4?

19 MR. BRUCE: Yes, sir.

20 THE WITNESS: Yes, sir.

21 EXAMINER EZEANYIM: Okay, Exhibits 1 through 4
22 will be admitted.

23 Do you have any questions of the witness?

24 EXAMINER BROOKS: No questions.

25 EXAMINER EZEANYIM: Okay, I have a couple.

EXAMINATION

1
2 BY EXAMINER EZEANYIM:

3 Q. Where is the location of this well, I mean the
4 surface location? It's a vertical well?

5 A. Uh-huh, a vertical well, it's in the --

6 Q. What is the surface location?

7 A. It is in the northwest quarter, northeast quarter
8 of Section 15. I don't know the exact footages. We've
9 been kind of fooling around with it. On the AFE it's shown
10 as 1980 feet from the north line and 880 [sic] feet from
11 the east line --

12 Q. Okay, that's --

13 A. -- Section 15.

14 Q. Is that 1980?

15 A. 1980 feet from the north line and 1880 feet from
16 the east line.

17 Q. 1880?

18 A. 1880, yes, sir.

19 Q. From the east line?

20 A. Uh-huh.

21 Q. We need to check whether that is a standard
22 location, because the Application says it's a standard
23 location.

24 A. Yes, it's a standard location.

25 MR. BRUCE: Mr. Examiner, the AFE is a little

1 different from the -- what has been filed with the
2 Division. This is from the Division's files, the C-102,
3 which gives a footage.

4 EXAMINER EZEANYIM: Okay.

5 THE WITNESS: Yeah, like I say, we've moved this
6 around a few times on what the location was going to be,
7 so...

8 Q. (By Examiner Ezeanyim) So this is different,
9 then?

10 A. Yes, sir.

11 Q. Okay. Okay, so you don't have a -- Have you
12 gotten an APD for this?

13 A. It's in the process right now.

14 Q. Process, okay. And you are able to -- is that --
15 What is it? All the -- all the permit? No -- every other
16 person has agreed to --

17 A. Everyone has joined except for OXY, and they
18 joined back at the start of this project back in May and
19 sent their initial proposal out then, and everybody else
20 joined, and we've been working with the APD and surface
21 location and everything built in the meantime, so...

22 EXAMINER EZEANYIM: So Mr. Bruce, because all the
23 permit is located, there's no need to do newspaper
24 advertisements? They don't need to -- in the paper, right?

25 MR. BRUCE: That is correct.

1 Q. (By Examiner Ezeanyim) Did you say that the
2 depth of the well is about 12,900 feet?

3 A. Yes, sir.

4 Q. Okay. And you want us to state in the order that
5 instead of 30 days, that -- you want to --

6 MR. BRUCE: Thirty days, but the election notice
7 shouldn't be sent out until after the 1st of January.

8 EXAMINER EZEANYIM: What does that mean?

9 EXAMINER BROOKS: Well, normally our -- normal
10 form of order says that after the hearing -- it doesn't
11 specify a time, it just says after the entry of the order
12 then the operator will send a schedule of costs, and the
13 pooled parties have 30 days from the date the schedule of
14 costs is sent to make their election.

15 I think what Mr. Bruce is suggesting is that
16 instead of saying after entry of the order, whatever the
17 words are, that we say after January 1, 2008, the operator
18 will send a schedule of costs.

19 EXAMINER EZEANYIM: Okay, and the operator is
20 willing to do that? Is that what you want to do?

21 MR. BRUCE: Yes.

22 EXAMINER BROOKS: We may need to extend the time
23 for commencement of the well a little further so --

24 EXAMINER EZEANYIM: Yeah.

25 EXAMINER BROOKS: -- I want to make sure that

1 they're not required to begin the well until after the
2 other party has their election.

3 EXAMINER EZEANYIM: Yeah, that's right.

4 Otherwise you are coming now to --

5 EXAMINER BROOKS: Right.

6 EXAMINER EZEANYIM: Okay, at this point Case
7 Number 14,011 will be taken under advisement.

8 Let's take about 10 minutes' break, and then
9 we'll go back to the next case.

10 (Thereupon, these proceedings were concluded at
11 9:30 a.m.)

12 * * *

13
14
15
16
17
18 I do hereby certify that the foregoing is
19 a complete record of the proceedings in
20 the Examiner hearing of Case No. 14011
21 heard by me on 10/18/74
22  Examiner
23 Oil Conservation Division
24
25

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 October 22nd, 2007.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2010