

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 SDX RESOURCES, INC.,)
FOR APPROVAL OF A WATERFLOOD PROJECT,)
EDDY COUNTY, NEW MEXICO)

CASE NO. 13,923

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Jr., Hearing Examiner

July 26th, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Hearing Examiner, on Thursday, July 26th, 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

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 11	4	4
Exhibit 12	4	4

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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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 By: OCEAN MUNDS-DRY

* * *

1 WHEREUPON, the following proceedings were had at
2 8:45 a.m.:

3 EXAMINER JONES: Okay, we'll call Case 13,923,
4 which is continued from July the 12th. Application of SDX
5 Resources, Inc., for approval of a waterflood project, Eddy
6 County, New Mexico.

7 Call for appearances.

8 MS. MUNDS-DRY: Good morning, Hearing Examiner.
9 Ocean Munds-Dry with the law firm Holland and Hart, here
10 representing SDX Resources, Inc., this morning, and I have
11 no witnesses.

12 EXAMINER JONES: Any other appearances?

13 No witnesses today, I guess. Chuck didn't come
14 today.

15 MS. MUNDS-DRY: Chuck didn't come today.

16 Mr. Examiner, this case was originally heard, I
17 think it's been maybe two months ago now. And at that time
18 Mr. Brooks had some questions about what notice was given
19 for this waterflood project, and Mr. Morgan who testified
20 as a witness for SDX was unable to recall certain interest
21 owners in certain sections, and -- well, let's see if I can
22 find it. In the northwest quarter of Section 32 and in the
23 north half of Section 5 of this proposed water project,
24 whether all -- basically all notice had been given in that
25 case.

1 And so what SDX committed to do after that
2 hearing is verify with a landman that all interest owners
3 were in fact notified.

4 And so what I've handed you as Exhibit Number 11
5 is the report from that landman specifically identifying
6 the interest owners in that northwest quarter of Section 32
7 and also in Section 5. And what SDX did then was go back
8 and check its records of who it originally notified in that
9 case and supplemented its notice to add these interest
10 owners that you see here on Exhibit 11.

11 And Exhibit Number 12, then, is that supplemental
12 notice that was given for this case. It identified a
13 handful more interest owners. And a copy, of course, of
14 the C-108 was given to them. And so Exhibit Number 12 is
15 not only my notice affidavit, the letter that went out to
16 those additional interest owners -- those green cards, and
17 at the very -- the very last page is actually who was
18 notified on Exhibit A.

19 And that said, we'd ask that Exhibits 11 and 12
20 be admitted into the record.

21 EXAMINER JONES: Exhibits 11 and 12 will be
22 admitted.

23 MS. MUNDS-DRY: And we'd ask that the case then
24 be taken under advisement.

25 EXAMINER JONES: So this proposed well in the

1 southwest of Section 32, then, would be -- the notice
2 requirement would be totally satisfied as far as Rule
3 701.B.(2)?

4 MS. MUNDS-DRY: We believe so, Mr. Examiner. We
5 checked all -- as the rule specifies.

6 EXAMINER JONES: Okay.

7 MS. MUNDS-DRY: All interest owners that have
8 either tracts wholly or partially committed within that
9 half-mile area of review have now been notified.

10 EXAMINER JONES: Okay. So this takeoff was the
11 northwest of Section 32, and what part of Section 5?

12 MS. MUNDS-DRY: It's really this -- it's really
13 the north half of the north half, really, of Section 5.
14 And actually I think it was even a little bit more than
15 that. I think it was really because the area of review
16 circle dipped down a little bit into the southwest quarter,
17 the interest owners, ConocoPhillips and Marbob were also
18 notified down in that part -- that quarter section as well.

19 EXAMINER JONES: Okay

20 MS. MUNDS-DRY: So it really covered the
21 northeast quarter, the northwest quarter and the southwest
22 quarter, since some of those tracts are partially included
23 in that half-mile area of review.

24 EXAMINER JONES: Okay.

25 MS. MUNDS-DRY: And we were pretty liberal with

1 making sure if it even touched that we went ahead and
2 notified them.

3 EXAMINER JONES: Okay. Now when did they receive
4 notice?

5 MS. MUNDS-DRY: The notice was sent on June 25th.

6 EXAMINER JONES: Okay. The actual waterflood
7 Application itself, SDX is asking for a waterflood. Are
8 they asking for a pilot waterflood or a waterflood?

9 MS. MUNDS-DRY: No, just for a straight
10 waterflood project.

11 EXAMINER JONES: Just a straight waterflood
12 project.

13 MS. MUNDS-DRY: Uh-huh.

14 EXAMINER JONES: And you're still asking it to be
15 enabled to be expanded with administrative --

16 MS. MUNDS-DRY: With administrative approval.

17 EXAMINER JONES: Okay, and this is one lease, one
18 lease -- we talked about that last time, one lease all
19 operated by SDX, 5-percent working interest owner.

20 MS. MUNDS-DRY: That's correct. You may recall,
21 this is an odd-shaped lease, but it's all one lease that's
22 owned by SDX, and they're the only working interest owner.

23 EXAMINER JONES: So would that be considered one
24 tract, as far as any kind of affected -- lands affected by
25 sweeping minerals? In other words, the overriding royalty

1 owners, he mentioned there might be some out here.

2 MS. MUNDS-DRY: And I don't recall that, Mr.
3 Examiner. I don't remember if there were overriding
4 royalty interest owners. Let's see if he said that.

5 EXAMINER JONES: Okay, I think we --

6 MS. MUNDS-DRY: But it would be one tract.

7 EXAMINER JONES: Yeah, one tract. Okay. We've
8 got what we need then.

9 I think, to be -- to let you know, the big -- one
10 of the big concerns we have is the piecemeal land situation
11 here. Even though it's one lease, it's still scattered
12 around. It's not as conducive to waterflood operations as
13 just a block of land that could be focused on and injection
14 wells put in and -- so, just to let you know, and you can
15 let your client know that's what we're thinking about.

16 MS. MUNDS-DRY: Okay, I'll convey that to them.

17 EXAMINER JONES: Okay, I think that's all we
18 have. And if that's all you have, Ms. --

19 MS. MUNDS-DRY: That's all I have.

20 EXAMINER JONES: Okay, thank you. We'll take
21 Case 13,923 under advisement.

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

23 (Thereupon, these proceedings were concluded at
24 8:52 a.m.)

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

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 28th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010