

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. 14,005

APPLICATION OF THE NEW MEXICO OIL )  
CONSERVATION DIVISION FOR A COMPLIANCE )  
ORDER AGAINST TUCUMCARI EXPLORATION, )  
LLC, QUAY COUNTY, NEW MEXICO )

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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RECEIVED

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.

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## I N D E X

October 18th, 2007  
Examiner Hearing  
CASE NO. 14,005

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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:

MIKAL M. ALTOMARE  
Assistant General Counsel  
Energy, Minerals and Natural Resources Department  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

## FOR TUCUMCARI EXPLORATION:

GSC SOLICITORS  
31-32 Ely Place  
London EC1N 6TD  
UK  
By: JULIAN HAMILTON BARNES

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:24 a.m.:

3           EXAMINER EZEANYIM: At this point, on page 2 I  
4   call Case Number 14,005. This is the Application of the  
5   New Mexico Oil Conservation Division for a compliance order  
6   against Tucumcari Exploration, LLC, Quay County, New  
7   Mexico.

8           Call for appearances.

9           MS. ALTOMARE: Mikal Altomare on behalf of the  
10   Oil Conservation Division.

11          EXAMINER EZEANYIM: Any witness?

12          MS. ALTOMARE: Sorry?

13          EXAMINER EZEANYIM: Do you have any witnesses?

14          MS. ALTOMARE: Your Honor -- Mr. Hearing  
15   Examiner, as we indicated in our prehearing statement we  
16   don't intend to call a witness today. As -- I think we're  
17   basically intending to have a --

18          EXAMINER EZEANYIM: Okay, call for -- any  
19   other --

20          MS. ALTOMARE: -- status conference.

21          EXAMINER EZEANYIM: Okay, any other appearances,  
22   please?

23          MR. BARNS: I am Julian Hamilton Barns, I'm a  
24   solicitor from London representing Tucumcari Exploration.

25          EXAMINER EZEANYIM: Can you repeat that, please?

1 MR. BARNS: Julian Hamilton Barns, I'm a  
2 solicitor from London, and I represent Tucumcari  
3 Exploration that's holding company, Tucumcari Investments,  
4 Limited.

5 EXAMINER EZEANYIM: Okay, yeah, I want to get  
6 that for the record. You're from London and -- are you --  
7 you are part of -- What is the name of your company?

8 MR. BARNS: My company is GSC Solicitors --

9 EXAMINER EZEANYIM: Okay.

10 MR. BARNS: -- and I represent the Respondent in  
11 this action.

12 EXAMINER EZEANYIM: Okay, what -- Okay, yeah, go  
13 ahead.

14 MS. ALTOMARE: Mr. Hearing Examiner, as we had  
15 originally planned, we had presented this as an application  
16 for hearing. As we've indicated in our prehearing  
17 statement, we were contacted by Mr. Barns. And what we  
18 would like to do at this time is essentially conduct a  
19 status conference.

20 Ultimately what we'd like to do is -- the hope is  
21 that we don't have to ultimately bring this to hearing.  
22 But we would like to keep some things, certain things, on  
23 the record, particularly given the international nature of  
24 the company and the long-term nature of what's been going  
25 on with this particular company and these particular sites.

1           There are some things that need to be put on the  
2 record to make sure that we establish who's responsible and  
3 what needs to happen over the course of the next several  
4 months with regard to these sites, to make sure that the  
5 Division is clear as to who they're supposed to be  
6 communicating with, with regard to the local contacts and  
7 the contacts in the UK.

8           So that is the reason that we did request that  
9 this happen at the hearing, rather than at a prehearing  
10 conference. So --

11           EXAMINER EZEANYIM: Okay.

12           MS. ALTOMARE: -- so I'm not sure at this point  
13 if Mr. Barns wants to go ahead and -- I know he had  
14 indicated to me on the phone that some things had happened  
15 since we had last spoken, some significant changes have  
16 occurred with regard to the status of his company and the  
17 intentions of the company with regard to these sites.

18           Perhaps it would be most appropriate for him to  
19 take the podium and explain to the Hearing Examiner what  
20 the status is with regard to his company and what their  
21 intentions are at this point, and that might pare down  
22 significantly what questions the Division has as to where  
23 we are in the process of what we need to see happen from  
24 this point forward.

25           EXAMINER EZEANYIM: Okay, yeah, before I continue

1 -- So your intent today is to get this into the record.  
2 You don't -- there is no -- you don't want an order written  
3 on this case today, right?

4 MS. ALTOMARE: That's generally correct, your  
5 Honor. If any order is generated at this point it would be  
6 simply to memorialize -- simply to memorialize the basic  
7 starting point for the process, which would be that his  
8 clients would register as operators in the State of New  
9 Mexico, which they have yet to do, and that they are  
10 responsible for this -- these particular sites, because at  
11 this point we have designated them, and it is our  
12 understanding that they are operators in fact of these  
13 particular sites, which they have not disputed, but we have  
14 not actually had anything in our records memorializing that  
15 particular fact.

16 So if anything is generated out of this  
17 particular hearing by yourself that we would be requesting,  
18 it would be an order reflecting that.

19 EXAMINER BROOKS: It's my understanding, from  
20 what you said yesterday, that you wanted this case to be  
21 re-set to a later date; is that correct?

22 MS. ALTOMARE: Ultimately I think that that might  
23 be the best bet, is maybe kind of an indefinite setting,  
24 maybe after the new year, in hopes that ultimately we don't  
25 have to do -- we don't have to address all of the -- all of

1 the issues that were raised in our Application, including  
2 the --

3 MR. BARNS: I might help you.

4 EXAMINER EZEANYIM: Yeah.

5 MR. BARNS: I might help you here. If I --

6 MS. ALTOMARE: Yeah, I think maybe if he --

7 MR. BARNS: -- may just step in --

8 MS. ALTOMARE: -- if he knows the status, that --

9 We have not been able to talk a whole lot prior to this  
10 because of the international nature of this. So perhaps if  
11 he's able to explain a little bit, that might help.

12 EXAMINER EZEANYIM: Yeah. Mr. Barns before you  
13 go on, I know this is -- This is the first time we are in  
14 conferences, and I wanted to -- I don't know why we're here  
15 on this case.

16 But before you go ahead, Mr. Barns, do you have  
17 any interest in the Tucumcari Associates, that company?  
18 Are you a part-owner or -- What's going on here?

19 MR. BARNS: Sir, I'm the lawyer representing the  
20 owners, and the owners are various international parties  
21 that are involved in this transaction. If I actually  
22 continue to explain it, it might probably become somewhat  
23 clearer.

24 I act on behalf of two companies. One is  
25 Tucumcari Investments, Limited, which is a [inaudible]

1 company, and that company's sole asset is the whole of the  
2 issued shared capital of Tucumcari Exploration, LLC, which  
3 is a Nevada-based LLC.

4 And the assets of the -- of Tucumcari, LLC,  
5 Exploration, are assets that my clients purchased from the  
6 trustee of the CKG bankruptcy, from the bankrupt estate.  
7 And those assets comprise the seven wells that are being  
8 drilled in Tucumcari, another well which is known as the  
9 Walker well, which is nearby. My clients have some  
10 fifteen-and-a-half thousand acres of gas leases, and they  
11 have certain pipeline interests, part built, and some  
12 pipeline interests that are due to be built.

13 And essentially my clients acquired these assets  
14 out of Chapter XI last August, August last year, following  
15 a long and protracted process, lasting about three or four  
16 years. It was an extraordinarily difficult process, and I  
17 know that there's been litigation locally here, as a result  
18 of all of the issues.

19 My clients stepped in, bought the assets, made --  
20 tried to resolve issues with the local ranchers, who are  
21 being sued by the trustee, all sorts of problems here  
22 locally.

23 The previous owner, CKG, has been charged with  
24 all sorts of felonies, he's due to be incarcerated shortly.

25 So the whole history of the transaction is a

1 dreadful mess.

2 My clients have stepped in, in an effort to try  
3 and resolve all of this. But immediately following  
4 confirmation of the Chapter XI plan last year, third  
5 parties instigated litigation involving the trustee-in-  
6 bankruptcy, involving my clients and former lawyers that  
7 advised CKG Companies.

8 That litigation effectively prevented my clients  
9 from funding their proposed operations here in Tucumcari --  
10 or in New Mexico, because no funders would actually get  
11 involved in funding oil and gas drilling and equity finance  
12 with those transactions, with major litigation pending.

13 Thankfully, that litigation is now well advanced  
14 and is due to be settled very soon on favorable terms to  
15 the trust and to my clients.

16 Separately, my clients have also finalized their  
17 funding arrangements, and they're in the process of  
18 reversing Tucumcari Exploration into a public company in  
19 London called MinMet PLC.

20 MinMet PLC is an [inaudible] listed company, and  
21 Tucumcari Investments, Limited, is effectively reverse-  
22 merging Tucumcari Exploration into the public company.

23 The public company has substantial funds in place  
24 to enable everything to move forward. There have been  
25 delays in making payments to various parties. There has

1 been a delay in making payment to deal with this cleanup  
2 that was supposed to take place within one year of the plan  
3 being approved.

4 My clients have been in touch with the landowners  
5 and the ranchers, and subject to the leases being in good  
6 order and in good standing they will proceed with the  
7 cleanup as soon as practicably possible. They have funding  
8 to do that, and the plan is within the next two or three  
9 weeks that my clients will visit New Mexico, and we will  
10 meet engineers that have been introduced to us by Mr. Ed  
11 Martin, who will then be responsible for the immediate  
12 cleanup work and dealing with the issues that have been  
13 raised in the letter of violation that has been served upon  
14 my clients.

15 The point that I really want to make at this  
16 hearing, Mr. Examiner, is that my clients want to  
17 cooperate, they are intending to invest substantial moneys  
18 into developing this field and other areas. They want to  
19 increase their landholdings significantly, they want to do  
20 a lot of work, and they're hoping to bring these wells into  
21 profitable production and to develop a substantial business  
22 down here.

23 We apologize for the inconvenience that's been  
24 caused as a result of the delays that are partly outside  
25 their control but partly within their control, and they do

1 apologize to this Hearing and to the people concerned.

2 But I can assure you it is their intention to  
3 progress and get on with this job. They've invested  
4 several million dollars into the exercise already, and  
5 they're committed to investing significantly more moneys.  
6 And that process is continuing. It has taken time, but the  
7 key was the settlement of litigation.

8 I hope that does to some extent explain what the  
9 background is. Specifically, my clients have authorized me  
10 to progress paperwork to deal with the registration of my  
11 clients as an operator, and I will be dealing with Ms.  
12 Altomare on that particular case immediately after this.  
13 We will be formalizing issues with the leases. There have  
14 been a couple of issues with the leases, but they are being  
15 resolved with Mr. Randals and T-4 Cattle, represented by  
16 Ms. Bidegein, and we want to be able to progress and move  
17 things ahead as quick as possible.

18 So there is no intention that their investment is  
19 to be left and ignored, to wither away and for you guys to  
20 have to step in and take remedial action. Quite the  
21 reverse. We want to be able to get on with it.

22 MS. ALTOMARE: Okay. So my understanding is that  
23 you have authority to act as agent on behalf of your  
24 client?

25 MR. BARNS: I have power to assign -- I have

1 power to sign documents on behalf of my clients, yes.

2 MS. ALTOMARE: Okay, and are you prepared to post  
3 the bond necessary to register them as an operator --

4 MR. BARNS: I don't know the --

5 MS. ALTOMARE: -- while you're here in New  
6 Mexico?

7 MR. BARNS: I don't know the precise figures, but  
8 yes, I have the ability to start that process.

9 MS. ALTOMARE: Okay, and it is your intention to  
10 do that while you're here on this trip?

11 MR. BARNS: I don't know what the figures are on  
12 the bonds and everything like that, so I need to know.

13 MS. ALTOMARE: Okay. The blanket bond is  
14 \$50,000.

15 MR. BARNS: \$50,000, that's well within reach.

16 MS. ALTOMARE: Okay. That being said, then, I  
17 think that at this point we would be comfortable with  
18 resetting this, rather than having the -- an order  
19 generated at this time.

20 We would ask that the hearing, the actual  
21 hearing, be rescheduled, reset for some time after the new  
22 year to give the parties an opportunity to negotiate and  
23 work together to try and resolve the remaining issues,  
24 seeing as they've made a good faith effort by sending their  
25 attorney overseas to try and work through this.

1           And we will go ahead and try and move things  
2 forward at this point and reconvene if necessary after the  
3 new year at a hearing, if it meets with the approval of the  
4 Hearing Examiner.

5           EXAMINER BROOKS: We reset one case to January  
6 the 10th.

7           MS. ALTOMARE: It is my understanding that that  
8 is the --

9           EXAMINER BROOKS: -- first hearing.

10          MS. ALTOMARE: -- the only hearing, the only  
11 calendaring --

12          EXAMINER BROOKS: Right.

13          MS. ALTOMARE: -- that has been scheduled so far.

14          EXAMINER BROOKS: So that would seem to be an  
15 appropriate time to reset this hearing. If it's not to go  
16 forward then, it can always be reset again --

17          MS. ALTOMARE: Correct.

18          EXAMINER BROOKS: -- but it seems to me we should  
19 have a definite date.

20          MR. BARNS: I concur, I agree with that. I have  
21 no problem with that at all, and I would encourage it as  
22 well.

23          MS. ALTOMARE: And then it is our intention this  
24 afternoon to -- or after this hearing, immediately  
25 following, to sit down and discuss. And I've prepared some

1 materials to provide to Mr. Barns, who is not familiar with  
2 our processes here in New Mexico and in the States, and  
3 walk him through what the obligations are of his clients.

4 And it is also my understanding that they are  
5 going to be working with local counsel here in the States  
6 as well, to enable them to meet their obligations.

7 MR. BARNES: We have local counsel, but -- in New  
8 Mexico and in Texas, but for the purposes of this hearing I  
9 didn't treat it as -- as I would call a contentious  
10 hearing, so I felt that it was appropriate to come and beg  
11 the mercy of the Hearing, and help you to work a way  
12 forward on a consensual basis rather than a litigious  
13 basis.

14 EXAMINER EZEANYIM: Okay, yeah. Before I make  
15 another comment on this, I don't know how you come up with  
16 January 10th, because I haven't set the hearing dates for  
17 next year. It might not be January 10th. So I might be  
18 continuing a case to a date that I don't know whether we  
19 hold -- because when I go to set up those dates, something  
20 might make me change -- you know, something else. I  
21 haven't done that. I used to do it about -- from  
22 developing the last year's schedule.

23 When I saw that continued to January 10th, I  
24 didn't even look at the calendar, because I haven't even  
25 done that. Sometimes when I look at it I have to consider

1 some external circumstances to see whether January --  
2 January 10th -- even if it's a Thursday, whether it's, you  
3 know, supposed to be held on that day. So -- but I hope it  
4 will work out. But if not -- let's say it's a week from  
5 there or less, one week, you know, ahead. So --

6 MS. ALTOMARE: My under- --

7 EXAMINER EZEANYIM: -- I don't know what we are  
8 going to -- because I don't have the schedule for next year  
9 yet.

10 MS. ALTOMARE: My understanding, Mr. Hearing  
11 Examiner, is that according to your office, according to  
12 your office administrator, that is the only date that has  
13 gone into next year, but that she is already calendaring  
14 things that far out.

15 So I apologize if that -- if that is -- because  
16 that actually was my case as well. But I had actually  
17 confirmed that date with her, so...

18 But in any event, if this date does not pan out I  
19 will work with Mr. Barns to --

20 EXAMINER EZEANYIM: Yeah, that's what I wanted  
21 you to do, because --

22 MS. ALTOMARE: Sure.

23 EXAMINER EZEANYIM: -- our secretary told you  
24 that I might change it because I give her the date where  
25 she can calendar them, you know, but -- you know, I want to

1 warn you that it might change.

2 MS. ALTOMARE: Absolutely.

3 EXAMINER EZEANYIM: It's not that there's  
4 anything wrong with that, but it might be, you know,  
5 January 10th.

6 Now let's go back to the issue and -- Do you have  
7 another -- do you have comments?

8 EXAMINER BROOKS: I have nothing further.

9 EXAMINER EZEANYIM: Yeah. It appears to me from  
10 what you guys said that this case might be worked out of  
11 the hearing, from what you just said, if I heard you right.  
12 So you really don't need to come to hearing. But if you  
13 want to come to hearing, sure, you can come to hearing on  
14 January 10th or thereabouts, whenever we want to do it.  
15 But from what you said, it looks like your client is ready  
16 to do what the Division is asking you to do. And if you  
17 are willing to do all those, there is no reason why we  
18 should go to hearing to agree to agree, you know. You see  
19 what I mean?

20 MR. BARNS: Yes, sir.

21 EXAMINER EZEANYIM: So my hope is that you are  
22 not going to come to hearing, that by January 10th you must  
23 have reached a point that you are going to agree, if I  
24 understood you right. From what you say, your client is  
25 ready to register, they're ready to do all the work they

1 are supposed to do. So if they are ready to do that within  
2 a timely manner, there's no reason why we should go to  
3 hearing to try to prove that. But at least we're on the  
4 record today why we did that today. That --

5 MR. BARNS: And this is --

6 EXAMINER EZEANYIM: Yeah.

7 MR. BARNS: -- yes, for me to actually set in  
8 motion a course of action --

9 EXAMINER EZEANYIM: Okay.

10 MR. BARNS: -- that my clients intend to fulfill  
11 and pursue.

12 EXAMINER EZEANYIM: Yeah, that's what I think I  
13 understand.

14 Okay, based on that, I have no -- Do you have any  
15 other thing to say?

16 MS. ALTOMARE: No, just that it is our intention  
17 to amicably --

18 EXAMINER EZEANYIM: Sure.

19 MS. ALTOMARE: -- work through this --

20 EXAMINER EZEANYIM: Okay.

21 MS. ALTOMARE: -- and that it is our hope as  
22 well --

23 EXAMINER EZEANYIM: Okay.

24 MS. ALTOMARE: -- that we are able to do this  
25 without proceeding to hearing, and that that date is only a

1 last resort if for some reason something does fall through.

2 EXAMINER EZEANYIM: Yeah. Well, based on that,  
3 you know, I think I will say that Case Number 14,005 will  
4 be continued to January 10th or thereabouts to give you --  
5 parties to negotiate and see whether you can come to  
6 agreement. And if you do, then we can dismiss the case.

7 MS. ALTOMARE: Great.

8 EXAMINER EZEANYIM: Is that what you want?

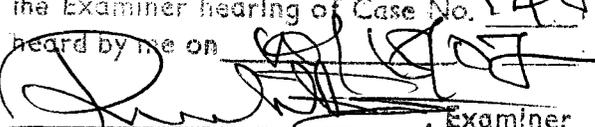
9 MR. BARNS: Absolutely perfect, and thank you  
10 very much for your time.

11 MS. ALTOMARE: Thank you, Mr. Hearing Examiner.

12 EXAMINER EZEANYIM: Thank you very much.

13 (Thereupon, these proceedings were concluded at  
14 8:43 a.m.)

15 \* \* \*

16  
17  
18  
19  
20  
21 I do hereby certify that the foregoing is  
22 a complete record of the proceedings in  
23 the Examiner hearing of Case No. 14005  
24 heard by me on , Examiner  
25 Oil Conservation Division

