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STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

**ORIGINAL**

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 14,152

APPLICATION OF READ AND STEVENS, INC.,  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: TERRY WARNELL: Hearing Examiner  
CAROL LEACH: Legal Counsel for the Division  
JAMES BRUCE: Legal Counsel for Applicants

July 26, 2008

Santa Fe, New Mexico

This matter came for hearing before the New Mexico  
Oil Conservation Division, Terry Warnell, Hearing  
Examiner, on July 24, 2008, at the New Mexico Energy,  
Minerals and Natural Resources Department, 1220 South  
St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: PEGGY A. SEDILLO, NM CCR NO. 88  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, New Mexico 87102

1 HEARING EXAMINER: So let's start with our first  
2 case, Case No. 14,142, Application of Read and Stevens,  
3 Inc. for Compulsory Pooling in Lea County, New Mexico.

4 Call for appearances.

5 MR. BRUCE: Mr. Hearing Examiner; Jim Bruce of  
6 Santa Fe representing the Applicant. I'm submitting this  
7 case by affidavit.

8 And before we begin, Mr. Examiner, there are a  
9 couple of items. I only have one copy each, I just got  
10 them this morning, they were just printed. One is a  
11 letter attached that I had submitted a couple days ago to  
12 the director of the OCD.

13 HEARING EXAMINER: That's the letter dated  
14 July 21st?

15 MR. BRUCE: Yes.

16 HEARING EXAMINER: Okay.

17 MR. BRUCE: In this case, the application was  
18 filed to forced pool all depths in the north half of  
19 Section 5, 20 South, 34 East from the surface to the base  
20 of the Morrow.

21 That letter amended the application just to  
22 delete the depths from surface to 5,000.

23 HEARING EXAMINER: Okay.

24 MR. BRUCE: And then, as you know, there was a  
25 pre-hearing statement filed by Mr. Padilla on behalf of

1 Ard Oil, Limited.

2 And when I got to the office this morning there  
3 was an e-mail from Mr. Padilla to Mr. Ezeanyim stating  
4 that he was withdrawing any objection. So I just wanted  
5 you to be aware of that.

6 HEARING EXAMINER: And I have a copy of that  
7 e-mail here. Thank you.

8 MR. BRUCE: Mr. Examiner, I've handed you two  
9 exhibits. Exhibit 1 is the affidavit of the landman  
10 according to Rule 1210.A(1), setting forth what the  
11 applicant seeks in this matter.

12 As I stated, they seek to force pool from the  
13 5,000 feet -- a depth of 5,000 feet to the base of the  
14 Morrow underlying the north half of Section 5, 20 South,  
15 34 East.

16 It's to be dedicated to the Highway 5 Fed. Com.  
17 Well No. 1 to be drilled in the northwest quarter of  
18 northwest quarter of Section 5.

19 This is an irregular section, actually. It's  
20 comprised of Lots 1 through 4 in the south half of the  
21 north half. On Page 2 of the exhibit --

22 HEARING EXAMINER: On that exhibit, Mr. Bruce,  
23 it says there at the top "Case No. 13-152."

24 MR. BRUCE: Well, that's a --

25 HEARING EXAMINER: That's just a -- we can make

1 that "14-142"?

2 MR. BRUCE: Yes.

3 HEARING EXAMINER: Okay, that's done. Please  
4 continue.

5 MR. BRUCE: On Page 2, it set's forth the  
6 parties to be pooled and their status. I would note that  
7 Moore and Shelton Company, Limited, has farmed out to the  
8 applicant, and therefore, Moore and Shelton Company,  
9 Limited, is not being force pooled by this application.

10 The other two parties, Ard Oil, Limited and the  
11 trustee of Lindy's Living Trust, have not yet finalized  
12 any deal with anyone. So they are being force pooled.

13 Attachment A to the exhibit is just the land  
14 plats.

15 Exhibit B contains the offer letters sent to the  
16 parties being pooled.

17 And Exhibit C is the AFD for the well. It's a  
18 \$3.2 million --

19 MS. LEACH: Mr. Bruce?

20 MR. BRUCE: Yes?

21 MS. LEACH: We have a brand new court reporter,  
22 so you might want to say what AFD is.

23 MR. BRUCE: Very good. The Authorization for  
24 Expenditure is Attachment C to Exhibit 1 setting forth the  
25 well costs, dry hole costs of \$2.1 million, and completed

1 well costs of \$3.2 million.

2 The applicant proposes overhead rates of \$7,000  
3 and \$700 per month for drilling and producing wells.

4 Somewhere in here, Mr. Examiner, towards the end  
5 attached to the letter is an exhibit from the JOA, which  
6 many people have executed, setting forth all of the  
7 interests in the well, and just for your records.

8 So you can see that the overwhelming majority of  
9 the people have reached agreement, voluntary agreement.

10 Exhibit 2 is my Affidavit Of Notice showing that  
11 notice was given to and received by all parties being  
12 forced pooled.

13 And with that, I move the admission of  
14 Exhibits 1 and 2 and request that this matter be taken  
15 under advisement.

16 HEARING EXAMINER: Any objection to the  
17 exhibits? Exhibits 1 and 2 are admitted. Okay, it  
18 looks pretty straightforward. Ms. Leach, do you have any  
19 questions?

20 MS. LEACH: No. Thank you.

21 HEARING EXAMINER: I don't believe I have any  
22 questions either at this time. So we will take Case  
23 No. 14,142 under advisement.

24 (Whereupon, the proceedings concluded.)

25 \* \* \*

1 STATE OF NEW MEXICO )  
2 COUNTY OF SANTA FE ) ss.  
3 )  
4 )

5 REPORTER'S CERTIFICATE

6  
7 I, PEGGY A. SEDILLO, Certified Court  
8 Reporter of the firm Paul Baca Professional  
9 Court Reporters, do hereby certify that the  
10 foregoing transcript is a complete and  
11 accurate record of said proceedings as the  
12 same were recorded by me or under my  
13 supervision.

14 Dated at Santa Fe, New Mexico this 5th  
15 day of August, 2008.

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PEGGY A. SEDILLO, CCR NO. 88  
License Expires 12/31/08