

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 NADEL AND GUSSMAN) CASE NO. 13,043
PERMIAN, L.L.C., TO REOPEN CASE) (Reopened)
NUMBER 13,043 FOR COMPULSORY POOLING,)
EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

RECEIVED

October 9th, 2003

OCT 23 2003

Santa Fe, New Mexico

Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, October 9th, 2003, 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 9th, 2003
 Examiner Hearing
 CASE NO. 13,043

	PAGE
APPEARANCES	3
APPLICANT'S WITNESS:	
<u>SAM H. JOLLIFFE, IV</u> (Landman)	
Direct Examination by Mr. Bruce	4
Examination by Examiner Catanach	10
REPORTER'S CERTIFICATE	13

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	5	10
Exhibit 2	6	10
Exhibit 3	7	10
Exhibit 4	8	10
Exhibit 5	9	10

* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 9:02 a.m.:

3 EXAMINER CATANACH: All right, at this time I'll
4 call Case 13,043, the Application of Nadel and Gussman
5 Permian, L.L.C., to reopen Case Number 13,043 for
6 compulsory pooling, Eddy 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 CATANACH: Any additional appearances?
11 There being none, will the witness please stand
12 to be sworn in?

13 (Thereupon, the witness was sworn.)

14 SAM H. JOLLIFFE, IV,
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 and city of
20 residence for the record?

21 A. Yes, Sam Jolliffe, from Midland, Texas.

22 Q. Who do you work for and in what capacity?

23 A. Nadel and Gussman Permian, L.L.C., as the land
24 manager.

25 Q. Have you previously testified before the

1 Division?

2 A. Yes, I have.

3 Q. And were your credentials as an expert landman
4 accepted as a matter of record?

5 A. Yes, sir.

6 Q. And are you familiar with the land matters
7 involved in this case?

8 A. Yes.

9 MR. BRUCE: Mr. Examiner, I'd tender Mr. Jolliffe
10 as an expert petroleum landman.

11 EXAMINER CATANACH: He is so qualified.

12 Q. (By Mr. Bruce) Mr. Jolliffe, would you identify
13 Exhibit 1 and describe what Nadel and Gussman seeks in this
14 case?

15 A. Yes, we seek an order pooling all interests from
16 surface to the base of the Morrow underlying the east half
17 of Section 28, Township 21 South, Range 27 East, which is
18 depicted on the land plat. The unit will be dedicated to
19 the Domino Federal Well Number 1, which is located 660 from
20 the north line and 1300 feet from the east line of Section
21 28.

22 Q. And you're only seeking to pool units spaced on
23 320 acres; is that correct?

24 A. Yes, sir.

25 Q. And on this Exhibit 1, the Domino Federal well is

1 shown in the northeast quarter. What's the black circle in
2 the southeast quarter?

3 A. The black circle is -- I believe that's the
4 Delaware well operated by Dan Snow.

5 Q. Okay. Now, that well was originally drilled to
6 the Morrow, was it not?

7 A. Yes, I believe that's correct.

8 Q. And it was dry in the Morrow?

9 A. Yes.

10 Q. Okay. So we're not here seeking simultaneous
11 dedication or anything?

12 A. No.

13 Q. Referring to Exhibit 2, who do you seek to pool
14 in this case?

15 A. We seek to pool RKC, Inc.; J.C. Davis, Jr.;
16 Mewbourne Oil Company; and J. Hiram Moore Trust.

17 Q. And their approximate interests in the 320-acre
18 well unit are listed on this exhibit?

19 A. It's approximately 4.4 percent --

20 Q. Okay.

21 A. -- yes. Total.

22 Q. Total, okay. Now, was an order previously
23 entered in this case?

24 A. Yes, Order R-11,953 was entered on May 6th, 2003.
25 However, additional -- the final title examination showed

1 some people that we did not pool the first time, so the
2 case has been reopened.

3 Q. And what is the deadline for commencing this
4 well?

5 A. The deadline was August 31st, 2003, and was
6 extended to October 31st, 2003, by the OCD's letter dated
7 August 22nd, 2003.

8 Q. Okay. Let's discuss your efforts to obtain the
9 voluntary joinder of these parties. What is Exhibit 3?

10 A. Exhibit 3 contains all our correspondence. We
11 mailed out the proposal to these remaining owners on August
12 22nd, 2003. The letter enclosed an AFE and requested them
13 to participate in the well.

14 Q. And most of these people who you did write the
15 letter to did join in?

16 A. Yes, the majority did end up joining the well.

17 Q. Have you also had follow-up telephone calls?

18 A. Yes.

19 Q. Now, Mr. Jolliffe, the letter was only dated
20 August 22nd. Was that because you were in a hurry -- You
21 filed the pooling Application not too long thereafter. Was
22 that because you did have plans to commence the well?

23 A. Yes, sir.

24 Q. Okay. In your opinion has Nadel and Gussman made
25 a good-faith effort to obtain the voluntary joinder of

1 these interest owners in the well?

2 A. Yes, we believe so.

3 Q. Would you identify Exhibit 4 and discuss the cost
4 of the well?

5 A. Yes, the exhibit is a copy of the AFE for the
6 well. The well's proposed depth is 11,900 feet, it has an
7 estimated dryhole cost of \$702,089 and a completed well
8 cost of \$400,145.

9 Q. Okay, or completion cost, right?

10 A. Completion cost, yes.

11 Q. So what, about \$1.1 million total?

12 A. That's correct.

13 Q. Is this cost in the line with the cost of other
14 wells drilled in this area of Eddy County?

15 A. Yes, sir.

16 Q. Does Nadel and Gussman request that it be
17 designated operator of the well?

18 A. Yes, sir.

19 Q. And do you have a recommendation for the amounts
20 which Nadel and Gussman should be paid for administrative
21 expenses?

22 A. Yes, \$6500 a month for drilling well costs and
23 \$650 a month for producing well costs.

24 Q. And these amounts were approved in the original
25 order, were they not?

1 A. Yes, that's correct.

2 Q. And are these amounts equivalent to those
3 normally charged by Nadel and Gussman and other operators
4 in this area?

5 A. Yes.

6 Q. Do you request that the overhead rates be
7 adjusted periodically under the COPAS accounting procedure?

8 A. Yes, sir.

9 Q. And does Nadel and Gussman request the maximum
10 cost-plus-200 risk charge?

11 A. Yes.

12 Q. Finally, were the parties who are being pooled
13 notified of this hearing?

14 A. Yes, that's correct.

15 Q. And is Exhibit 5 my affidavit of notice?

16 A. Yes, sir.

17 Q. Were Exhibits 1 through 5 prepared by you or
18 under your supervision or compiled from company business
19 records?

20 A. Yes, sir.

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

24 A. Yes.

25 MR. BRUCE: Mr. Examiner, I'd move the admission

1 of Nadel and Gussman Exhibits 1 through 5.

2 EXAMINER CATANACH: Exhibits 1 through 5 are
3 admitted.

4 EXAMINATION

5 BY EXAMINER CATANACH:

6 Q. Mr. Jolliffe, the well location for the Domino
7 Federal Number 1, I missed. It was 660 feet from the
8 north?

9 A. 660 from the north and 1400 from the east.

10 Q. And the well -- You haven't started drilling the
11 well yet, right?

12 A. Yes, it has spud.

13 Q. It has spudded?

14 A. Yes.

15 Q. If I'm correct in my understanding, you came in
16 and pooled originally in Case 13,043, and is it my
17 understanding you missed some people?

18 A. That's correct, the final title examination
19 showed that we had some people that -- the title in there
20 is very complicated -- that kind of came up at the last
21 minute. We had some discrepancies from the federal records
22 and the county records, and we had some folks that came up
23 that we didn't have in our initial title. And the majority
24 of those folks did elect to participate.

25 Q. Are you confident at this point that you've found

1 all the interest owners?

2 A. Yes.

3 Q. And so at this point you only have four
4 outstanding?

5 A. That's correct.

6 Q. And those interest owners were notified of your
7 well proposal on August 22nd?

8 A. Right.

9 Q. Have you been in discussion with these interest
10 owners?

11 A. Yes.

12 Q. Do you know what the status of the discussion may
13 be? Are they going to join or --

14 A. We don't know. RKC said they may, they may farm
15 out to us, but they've been slow in getting back to us.
16 And of course they're aware of this order.

17 J.C. Davis, Jr., pretty much knows that he will
18 be force pooled.

19 Mewbourne has mentioned that -- they gave us --
20 requested that they go ahead and be force pooled since
21 their interest was so small.

22 J. Hiram Moore Trust, same thing. They were
23 notified, but they're dragging their feet and probably
24 won't do anything. They might, but I doubt it.

25 Q. Uh-huh.

1 A. Those interests are very small.

2 Q. Okay. Have any of these interest owners
3 expressed to you that they didn't have enough time to
4 evaluate your proposal?

5 A. No.

6 EXAMINER CATANACH: I think that's all I have.

7 Mr. Bruce, I guess the original order is still in
8 effect by virtue of extensions?

9 MR. BRUCE: That's correct.

10 EXAMINER CATANACH: I guess we would just need to
11 amend it.

12 MR. BRUCE: Just amend it, and since the well has
13 been commenced we don't need an extension of the drilling
14 deadline.

15 EXAMINER CATANACH: Okay, anything further?

16 MR. BRUCE: No, sir.

17 EXAMINER CATANACH: There being nothing further,
18 Case Number 13,043 will be taken under advisement.

19 (Thereupon, these proceedings were concluded at
20 9:18 a.m.)

21 * * * I do hereby certify that the foregoing is
22 a complete record of the proceedings in
23 the Examiner hearing of Case No. 13043 le
heard by me on October 9 2003.
24 David Catanach, Examiner
Oil Conservation Division

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 10th, 2003.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006