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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:

ORIGINAL

APPLICATION OF ENERVEST OPERATIONG LLC
TO AMEND THE UNIT AGREEMENT FOR THE WEST
LOCO HILLS GRAYBURG NO. 4 SAND UNIT, AND
FOR STATUTORY UNITIZATION, EDDY COUNTY,
NEW MEXICO.

CASE NO. 14317

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

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

May 14, 2009

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Legal Examiner, and DAVID K. BROOKS, Technical Examiner, on Thursday, May 14, 2009, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

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A P P E A R A N C E S

FOR THE APPLICANT:

James G. Bruce, Esq.
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

INDEX

PAGE

EXHIBITS A THROUGH D WERE ADMITTED	6
REPORTER'S CERTIFICATE	11

1 MR. EZEANYIM: We call Case 14317. This
2 is the application of Enervest Operating LLC to amend the
3 Unit Agreement for the West Loco Hills Grayburg No. 4
4 Sand Unit, and for statutory unitization, Eddy County,
5 New Mexico. Call for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of
7 Santa Fe representing the applicant. I'm submitting this
8 by affidavit.

9 MR. EZEANYIM: Any other appearances? You
10 may continue.

11 MR. BRUCE: Mr. Examiner, this is, I hope,
12 the last in a series of cases involving this unit. This
13 one is pretty simple. Just for your information, Mr.
14 Jones -- there are previous cases involving this, 14242
15 and 14243, which sought to amend the Unit Agreement,
16 and --

17 MR. EZEANYIM: Case Number --

18 MR. BRUCE: -- 14242 and 14243, which were
19 taken under advisement by Mr. Jones. 14242 was to amend
20 the Unit Agreement and statutorily unitize the West Loco
21 Hills Grayburg No. 4 Sand Unit. And 14243 was to expand
22 the existing waterflood project for the unit.

23 MR. EZEANYIM: Isn't that what you're
24 asking for here?

25 MR. BRUCE: I'll get to that in a minute,

1 Mr. Examiner. And those cases were heard. They've been
2 taken under advisement by Mr. Jones. He's still
3 preparing the order on those cases.

4 After the cases were heard, I determined
5 that -- almost all of the land involved in this case is
6 state and federal leases, and in order to get final
7 approval from the Commissioner of Public Lands and the
8 Bureau of Land Management after the Division enters its
9 order, all of the record title owners of those leases,
10 whether or not they own a working interest, have to
11 either ratify the Unit Agreement or be joined in the Unit
12 Agreement.

13 And I realized that had not been done, so I
14 directed the client to send out ratifications to the
15 various record title owners and -- first of all, the
16 legal-size paper is the listing of ownership of all of
17 the leases in the Unit Agreement, and it does list the
18 lessee of record, the record title owners.

19 Letters have been sent out requesting their
20 ratification. However, some of those interest owners are
21 unlocateable and probably deceased, even though they are
22 of record at the BLM, still a record title owner. So
23 there's really no practical way to obtain their joinder
24 as required by the Commissioner or by the BLM.

25 So submitted as Exhibit A is the Affidavit of

1 the landman from Enervest and, you know, it has a plat of
2 the unit area, and then a current, as of just a week or
3 so ago, listing of interest attached to the Unit
4 Agreement and the proposal letters sent out requesting
5 ratification to all of the record title owners. Exhibit
6 B is my Affidavit of Notice to all of the record title
7 owners. Although most people received notice, there are
8 some who the address is bad or they're deceased or
9 whatever and they did not receive notice.

10 I did publish notice, and that's submitted as
11 Exhibit C, against a number of working interest owners.
12 And actually while I was sitting here, Mr. Examiner, this
13 morning, there is one interest owner, the Aston
14 Partnership, that did not receive notice, and I'm going
15 to have to republish notice as against that interest
16 owner. I thought they were locateables simply because
17 there are dozens of Astons involved in the oil and gas
18 business. If you look through here, you'll see there's a
19 number of other Aston entities and they were all
20 locateable. So I will either -- but this one in
21 particular, the Aston Partnership, I will have to publish
22 notice against.

23 Then Exhibit D contains the ratifications
24 received from a number of the record title owners and
25 more are arriving. But since there are a number of

1 unlocateable people or people who refused service, we
2 believe that we will need to -- or people who just simply
3 don't act on it -- companies like ConocoPhillips that are
4 slow to send in anything -- we do need to statutorily
5 unitize all of the record title owners. Again, these are
6 noncost-bearing interest. They are not being asked to
7 pay any of the costs of unit operations, et cetera. It
8 is merely a formality to satisfy the other governmental
9 agencies.

10 So I would ask that Exhibits A through D be
11 admitted into the record, and I would ask that the case
12 be continued again for two weeks simply to submit an
13 Affidavit of Publication.

14 MR. EZEANYIM: Exhibits A through D will
15 be admitted.

16 Do you have any questions?

17 (Exhibits A through D were admitted.)

18 MR. BROOKS: No questions.

19 MR. EZEANYIM: My question, you cited two
20 cases, 14242 and 14243, that have been already heard
21 concerning this West Loco Hills. I still don't
22 understand the difference between those cases and this
23 case.

24 MR. BRUCE: Well, if I had known the
25 applicant hadn't obtained ratifications from the record

1 title owners, I could have taken care of this in Case
2 14242.

3 MR. EZEANYIM: You will require us to
4 issue two orders now.

5 MR. BRUCE: Well, I suppose it could be
6 combined with the others.

7 MR. EZEANYIM: Yes, because you're really
8 just trying to correct --

9 MR. BRUCE: And I would be glad to -- I
10 did submit a draft order to Mr. Jones, and I could revise
11 that draft order simply to reflect that the record title
12 owners are also being --

13 MR. EZEANYIM: Well, is that similar?

14 MR. BRUCE: That would be fine if we just
15 had one order. Mr. Examiner, with respect to the
16 waterflood, one of the reasons it's taken some time for
17 Mr. Jones to review it, I think the waterflood
18 application, there were 300 plus wells in the area of
19 review and so it was a lot of data to look at just for
20 the waterflood project, so -- but if we could just have
21 one order and I could revise -- at least submit to Mr.
22 Jones a supplemental proposed order -- and I know he's
23 doing his own, but at least it just would be one order
24 covering all three cases.

25 MR. EZEANYIM: Okay. 14242, 14243 and

1 14317; right? That's interesting. I just wonder how we
2 are going to issue that order to incorporate all the
3 three case numbers.

4 MR. BRUCE: I think it can simply
5 reference the fact that this case, in particular, just
6 sought to, in essence, supplement Case 14242.

7 MR. EZEANYIM: Okay. And at the time this
8 case was heard, you already examined all the requirements
9 of 722 and -- you know, the statutes and all those
10 requirements? Because you want to change this from Unit
11 Agreement to statutory unitization?

12 MR. BRUCE: That's correct.

13 MR. EZEANYIM: And everything was examined
14 at that hearing?

15 MR. BRUCE: That's correct.

16 MR. EZEANYIM: So I don't have to go
17 through them any more.

18 MR. BRUCE: No, you don't have to, unless
19 you want to, Mr. Examiner.

20 MR. EZEANYIM: If it has been done, I
21 mean, I don't want to do that. Because there's no point
22 going through it if it has already been done. I don't
23 want duplication.

24 MR. BRUCE: I will revise the order and
25 ship one over both to you and to Mr. Jones.

1 MR. EZEANYIM: Okay. Let me see if I have
2 anything else. I want to know the vertical limits of
3 this unitized area. I wasn't able to find it from your
4 application. Do you have vertical limits?

5 MR. BRUCE: Hold on, Mr. Examiner. There
6 is a plat attached to Exhibit A. The third page of it is
7 Attachment 1.

8 MR. EZEANYIM: Yeah.

9 MR. BRUCE: And I think -- I didn't bring
10 the file with me. I think I put the acreage in the
11 application itself, but I don't have -- that file was
12 about that thick and I didn't carry it with me today.
13 I'll make sure that you get a physical description. It
14 covers lands, in essence, in three townships, so it is
15 about -- I forget the exact acreage -- 50 some hundred
16 acres.

17 MR. EZEANYIM: Those are the vertical
18 limits. What's the depth of that waterflood that you're
19 going to conduct?

20 MR. BRUCE: It's a limited part of the
21 Grayburg Formation, the -- I'll tell you what, Mr.
22 Examiner. It is -- the physical description, and this is
23 in a particular well, it's from 2,767 feet to 2,792 feet.

24 MR. EZEANYIM: That's precisely what you
25 want to unitize?

1 MR. BRUCE: It's that interval plus the
2 depths a hundred feet above and 50 feet below. So it's
3 about 175-foot thick interval within the Grayburg zone,
4 so it's not even the entire Grayburg.

5 MR. EZEANYIM: I was trying to figure that
6 out. Because when we approve this waterflood, we need to
7 know the unitized interval.

8 MR. BRUCE: Okay.

9 MR. EZEANYIM: Okay. Case Number 14317
10 will be continued to June 2nd.

11 MR. BRUCE: Thank you.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14317
heard by me on 5/14/09

Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on May 14, 2009, proceedings in the
above captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 22nd day of May, 2009.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2009