

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 PRIDE ENERGY COMPANY CASE NO. 14384
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Presiding Examiner
 DAVID K. BROOKS, Legal Examiner
 TERRY G. WARNELL, Technical Examiner

September 17, 2009

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
Presiding Examiner; DAVID K. BROOKS, Legal Examiner; and
TERRY G. WARNELL, Technical Examiner, on Thursday,
September 17, 2009, at the New Mexico Energy, Minerals
and Natural Resources Department, 1220 South St. 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, ATTORNEY AT LAW
P.O. Box 1056
Santa Fe, New Mexico 87504-1056

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1 MR. EZEANYIM: Again, I call Case Number
2 14384. This is the application of Pride Energy Company
3 for compulsory pooling, Lea County, New Mexico. Call for
4 appearances.

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

8 MR. EZEANYIM: Any other appearances?
9 Okay. Mr. Bruce, you may proceed.

10 MR. BRUCE: Mr. Examiner, I've submitted
11 two exhibits to you. One is the affidavit of Matthew
12 Pride, who is the landman for Pride Energy Company. They
13 are seeking an order pooling all mineral interests
14 from -- the application actually stated from the surface
15 to the base of the Strawn formation in the southeast
16 quarter of Section 19 of 16 South, Range 36 East, to pool
17 everything spaced on 160 acres.

18 I think at this time we only need to force
19 pool from the surface to the base of the Wolfcamp
20 formation.

21 MR. EZEANYIM: Not the Strawn?

22 MR. BRUCE: Not the Strawn. I will
23 explain why in a minute.

24 The acreage is to be dedicated to applicant's
25 West Lovington 19 State Well No. 1. If you turn back to

1 Exhibit A, the land plat -- although it doesn't state it
2 on there, you can see they've excised a couple of lines
3 to indicate the leases involved. The north half of the
4 southeast quarter in the southeast southeast are a single
5 state lease owned by Pride Energy Company.

6 The southwest quarter southeast quarter of
7 Section 19 is a single fee lease, and it's certain
8 interest owners in that fee lease who are being force
9 pooled into this well unit. The well is in the North
10 Shoobar-Wolfcamp pool, which is spaced on 160 acres. And
11 it is spaced on 160 acres under Order R-4657.

12 I had thought that the well was in the
13 Strawn -- was in the North Shoobar-Strawn, which is also
14 spaced on 160 acres, but after further review, I believe
15 it's in the Northeast Shoobar-Strawn pool, which is
16 spaced on 80 acres, so there's no need to force pool the
17 Strawn. Any well unit, including the Strawn, would not
18 include the fee acreage.

19 MR. EZEANYIM: Could you repeat that?

20 MR. BRUCE: Because of the location of the
21 well in the northeast southeast, any 80-acre unit formed
22 for a Strawn well would not include the fee owners in the
23 southwest southeast who are being force pooled as to the
24 Wolfcamp.

25 MR. EZEANYIM: Are you only pooling the 40

1 acres on 160 --

2 MR. BRUCE: 160-acre well unit. The only
3 one I know of is the Wolfcamp, but --

4 MR. EZEANYIM: The 160, is that going to
5 be the southeast quarter?

6 MR. BRUCE: Yes, sir. The affidavit shows
7 that there are four people, or there are states or
8 corporations being force pooled. They all own rather
9 small interests in the 160-acre well units. As stated in
10 the affidavit, the applicant has been leasing interest
11 owners in the southwest southeast for about a year and a
12 half, and has leased over 25 mineral interest owners.

13 The mineral interest owners listed in the
14 affidavit are unleased mineral owners. They have tried
15 to lease those interest owners for quite some time, and
16 they were never really able to come to terms, and this
17 pooling application -- a well proposal with an AFE was
18 sent out when this pooling application was filed.

19 Attachment B are the well proposals to the
20 interest owners, and Exhibit C is the AFE for the well.
21 Applicant requests that the interest owners be pooled and
22 a 200 risk charge be assessed against any non-consenting
23 interest owners. And the overhead charges they propose
24 are 7,330 month for a drilling well and \$767 a month for
25 a producing well. This well is -- it's over 11,000 feet

1 deep.

2 Some of these interest owners listed have
3 indicated that they will finally execute a lease, but
4 over the last two months, nothing has been forthcoming.
5 So if they do execute a lease, I will notify the Division
6 that they're no longer subject to the pooling.

7 Exhibit 2 in my affidavit of notice, all of
8 these addresses are valid. There are no unlocateable
9 interest owners, and everybody received actual notice of
10 the pooling application. And I would move the admission
11 of Exhibits 1 and 2.

12 MR. EZEANYIM: Which exhibits do you want
13 to admit?

14 MR. BRUCE: 1 and 2.

15 MR. EZEANYIM: Exhibits 1 and 2 will be
16 admitted.

17 (Exhibits 1 and 2 were admitted.)

18 MR. BRUCE: I have nothing further.

19 MR. BROOKS: All interests are the same
20 from the surface to the base of the Wolfcamp?

21 MR. BRUCE: It is. And I have examined
22 title to it, Mr. Examiner, and the interests are common
23 as to all depths.

24 MR. BROOKS: These people being pooled are
25 unleased mineral owners in the fee tract?

1 MR. BRUCE: Yes.

2 MR. WARNELL: This well is drilled; right?

3 MR. BRUCE: It has been drilled.

4 MR. WARNELL: It was drilled some time
5 back, like in 2005?

6 MR. BRUCE: I don't think it was drilled
7 then, Mr. Examiner. I think it was drilled and completed
8 in 2008. I'm not sure when it commenced producing.

9 MR. WARNELL: In 2008 it was drilled to a
10 TD of about 11,700?

11 MR. BRUCE: Yes.

12 MR. WARNELL: What did you say the TD was?

13 MR. BRUCE: Somewhere around 11,700.
14 11,710.

15 MR. WARNELL: No further questions.

16 MR. EZEANYIM: You said the well was
17 drilled in 2005?

18 MR. BRUCE: 2008.

19 MR. EZEANYIM: It is producing right now?

20 MR. BRUCE: I think it commenced producing
21 late last year.

22 MR. EZEANYIM: At the time you drilled the
23 well, did you do compulsory pooling?

24 MR. BRUCE: No.

25 MR. EZEANYIM: Under what arrangement did

1 you drill the well?

2 MR. BRUCE: They just -- it was on their
3 lease, and they were actually going to a deeper objective
4 and a 40-acre test. And when they completed it, the
5 Division placed it in the North Shoobar-Wolfcamp pool.
6 This is an oil pool spaced on 160 acres.

7 MR. EZEANYIM: The Division placed it in
8 the Wolfcamp that you came for compulsory pooling now?

9 MR. BRUCE: Yes. But they tried to lease
10 all these interest owners before seeking pooling.

11 MR. EZEANYIM: Were you able to locate all
12 owners?

13 MR. BRUCE: Yes, sir.

14 MR. EZEANYIM: And there is no newspaper
15 advertisement here?

16 MR. BRUCE: There is no newspaper ad, no.

17 MR. EZEANYIM: You have the API number on
18 one of these?

19 MR. BRUCE: Yes.

20 MR. EZEANYIM: The depth is 11,073?

21 MR. BRUCE: 11,710. The API number is
22 30-025 37306.

23 MR. EZEANYIM: The overhead rates, how did
24 you come up with the 7,330 and 767?

25 MR. BRUCE: I wish I knew. Those are the

1 rates they use for approximately a 12,000-foot well. I
2 think those are fairly common rates that people have been
3 using. Although this is a Wolfcamp well, I think if you
4 look at 10,000 to 12,000 foot Morrow wells, you'd
5 probably find similar rates.

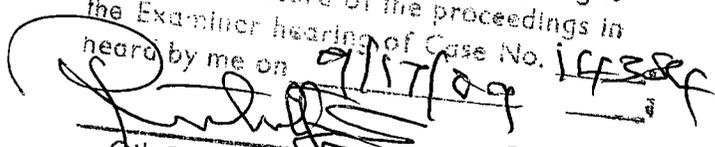
6 MR. EZEANYIM: Is that pretty much
7 standard? We have up to 11 to 12,000? Is that what you
8 have?

9 MR. BRUCE: I didn't look at the Ernst &
10 Young, although their rates are generally from 10 to
11 15,000 feet. If you looked at the median rates, they
12 would be pretty close to that.

13 MR. EZEANYIM: At this point Case Number
14 14384 will be taken under advisement.

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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. 14384
heard by me on 9/17/09

Oil Conservation Division, Examiner

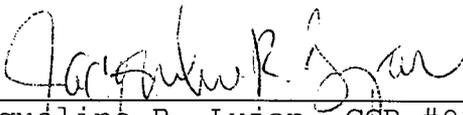
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on September 17, 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 30th day of September,
2009.


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