

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 SAN JUAN
RESOURCES, INC., FOR COMPULSORY
POOLING, SAN JUAN COUNTY, NEW MEXICO

CASE NO. 14464

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

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BEFORE: DAVID K. BROOKS, Presiding Examiner
WILLIAM V. JONES, Technical Examiner

April 29, 2010

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, DAVID K. BROOKS,
Presiding Examiner, and WILLIAM V. JONES, Technical
Examiner, on Thursday, April 29, 2010, 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

A P P E A R A N C E S

FOR THE APPLICANT:

WILLIAM F. CARR, ESQ.
HOLLAND & HART
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Santa Fe, New Mexico 87501
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INDEX

PAGE

EXHIBITS 1 AND 2 WERE ADMITTED

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REPORTER'S CERTIFICATE

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1 EXAMINER BROOKS: Okay. We'll call Case
2 Number 14464, the application of San Juan Resources,
3 Inc., for compulsory pooling, San Juan County, New
4 Mexico. Call for appearances.

5 MR. CARR: May it please the Examiners?
6 My name is William F. Carr, with the Santa Fe office of
7 Holland & Hart. We'd like to enter our appearance this
8 morning for San Juan Resources, Inc.

9 Mr. Kellahin filed the application for San
10 Juan Resources, but he is unable to be here and has asked
11 me to present the case by affidavit this morning.

12 EXAMINER BROOKS: Okay.

13 MR. CARR: I have provided you with copies
14 of the affidavit of Jerome P. McHugh, Jr., President of
15 San Juan Resources, Inc., and also a copy of Mr.
16 Kellahin's notice affidavit.

17 This case involves an application where San
18 Juan Resources provided the required notice, proposed a
19 320-acre Dakota unit, which is a standard unit. The
20 owners have been located, and they are not opposing the
21 pool.

22 What we're pooling is a tract from the base of
23 the Pictured Cliffs only to the base of the Dakota
24 formation to form a standard 320-acre unit, and this
25 application qualifies for the alternative procedure

1 authorized by 19.15.4.12 of the Oil Conservation Division
2 rules.

3 If you'll go to Mr. McHugh's affidavit and
4 turn to the second page, he states that San Juan
5 Resources owns approximately 30 percent of the working
6 interest ownership from the base of the Pictured Cliffs
7 to the base of the Dakota formation under the subject
8 unit, being the West half of Section 24, Township 30
9 North, Range -- it will be 30 West.

10 EXAMINER BROOKS: It says "Range 30 North,
11 12 West."

12 MR. CARR: Okay. It will be Township 30
13 North, Range 12 West. There is an error there.

14 EXAMINER BROOKS: Okay. It says "12
15 North." It will be 12 West.

16 MR. CARR: There is an error in the
17 affidavit.

18 The spacing unit is located within the
19 boundaries of Basin-Dakota Gas Pool and within the
20 boundaries of the Blanco-Mesaverde Gas Pool. And they
21 intend to ultimately commingle production of the well.

22 On February 16th of this year, San Juan
23 Resources proposed to the other working and mineral
24 interest owners that the Monarch Crest 24 Well No. 1, be
25 drilled at the standard location in Unit C of this

1 section. They have been unable to obtain a written
2 voluntary agreement from certain uncommitted interest
3 owners that are identified on Exhibit A to the affidavit.
4 What they are seeking to pool is approximately 2.5
5 percent of the interest in the well.

6 Pursuant to the rules of the Division, the
7 affidavit states that there is no opposition at the
8 hearing because none of the parties have objected to
9 inclusion of their acreage in this well. They have also
10 attached the other exhibits required by OCD rules, a map
11 outlining the spacing unit and showing the well location.
12 They have attested that they have made a diligent search
13 to identify all interest owners in the unit.

14 I've indicated the names of the formation to
15 be pooled are Basin-Dakota Gas Pool and the
16 Blanco-Mesaverde Gas Pool. This is a tract being pooled
17 for a gas well. Evidence of attempts to reach the
18 interest owners whose interests San Juan Resources
19 desires to pool are attached as Exhibit C.

20 They seek the imposition of the maximum 200
21 percent risk penalty to be imposed against anyone who
22 does not voluntarily join in the well. The overhead
23 rates they are seeking are 5,800 per month while drilling
24 and \$580 a month rate while producing the well.

25 They have attached a C-102 for the well, which

1 shows its location and depth. And they have also
2 attached the AFE, which shows the well will cost
3 approximately \$931,074 for a completed well.

4 We would move the admission of Mr. McHugh's
5 affidavit and Mr. Kellahin's notice affidavit and request
6 that the Division enter an order pooling the West half of
7 Section 24; that they designate San Juan Resources, Inc.,
8 as operator; that the order provide that the 200 percent
9 risk penalty be imposed against those who do not
10 participate in the well; that the order provide for
11 overhead rates of 5,800 while drilling and 580 a month
12 while operating the well, and also provide for those
13 rates to be adjusted in accordance with COPAS procedures.

14 And I move the admission of San Juan
15 Resources, Inc., Exhibits 1 and 2.

16 EXAMINER BROOKS: Okay. Exhibits 1 and 2
17 are admitted.

18 This is pooling from the base of the Pictured
19 Cliffs to the base of the Dakota?

20 (Exhibits 1 and 2 were admitted.)

21 MR. CARR: That's what they're asking for.

22 EXAMINER BROOKS: And the parties listed
23 on Exhibit A to McHugh's affidavit are the parties being
24 pooled?

25 MR. CARR: Yes. And their mineral

1 interest is shown, or working interest.

2 EXAMINER BROOKS: I'm assuming this is
3 probably on that Durango/Farmington line -- railroad from
4 Durango to Farmington. I remember running into a number
5 of titles up there where right of way was acquired in
6 fee, and it always got into Union Pacific on those.

7 Okay. Everybody was located, I believe I saw
8 by notice affidavit?

9 MR. CARR: Yes, sir.

10 EXAMINER BROOKS: Very good. If there's
11 nothing further, Case Number 14464 will be taken under
12 advisement.

13 * * *

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18 I do hereby certify that the foregoing is
19 a true and correct copy of the proceedings in
the examination hearing of Case No. 14464,
heard by me on Apr 29 2010.

20 David K. Brooks, Examiner
21 Oil Conservation Division
22
23
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REPORTER'S CERTIFICATE

I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on April 29, 2010, 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 11th day of May, 2010.



Jacqueline R. Lujan, CCR #91
Expires: 12/31/2010