

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: 14639

APPLICATION OF OGX RESOURCES LLC FOR
APPROVAL OF A NON-STANDARD OIL SPACING
AND PRORATION UNIT AND COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

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BEFORE: TERRY WARNELL, Technical Examiner
DAVID K. BROOKS, Legal Examiner

April 28, 2011

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, TERRY WARNELL, Technical Examiner, and DAVID K. BROOKS, Legal Examiner, on April 28, 2011, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis, Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Irene Delgado, NM CCR 253.
Paul Baca Professional Court Reporters.
500 Fourth Street, NW, Suite 105.
Albuquerque, New Mexico 87102.

A P P E A R A N C E S

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FOR THE APPLICANT:
JAMES BRUCE, ESQ
369 Montezuma, No: 213
Santa Fe, NM 87501
(505) 982-2043

I N D E X

GARLAND LANG	
DIRECT EXAM BY MR. BRUCE	03
EXHIBITS	
EXHIBITS 1 THROUGH 7 ADMITTED	07
EXHIBIT 10 (AS ADMITTED THROUGH CONSOLIDATED RECORD)	08

1 EXAMINER BROOKS: At this time I will call Case
2 Number 14639, the application of OGX Resources LLC for
3 approval of a non-standard oil spacing and proration unit and
4 compulsory pooling, Eddy County, New Mexico.

5 Call for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce representing the
7 applicant. I have two witnesses, Mr. Lang and Mr. Hardie.

8 GARLAND LANG

9 (Having been sworn, testified as follows:)

10 DIRECT EXAMINATION

11 BY MR. BRUCE:

12 Q. Mr. Lang, what does OGX seek in this case?

13 A. We are seeking an order to approve 160-acre
14 non-standard spacing and proration unit in the Bone Spring
15 formation comprised of the east half east half of Section 24,
16 township 26 South, Range 28 East, Eddy County, New Mexico.

17 And we further seek the pooling of all mineral
18 interests in the Bone Spring formation underlying the
19 non-standard spacing and proration unit, and that the unit is
20 to be dedicated -- the unit to be dedicated to the Momba 24
21 Fed Com Number 1 Well, which will be a horizontal well with
22 the surface location in the northeast quarter northeast
23 quarter of Section 24 and a terminus in the southeast
24 southeast quarter of Section 24.

25 Q. Mr. Lang, could you identify Exhibit 2 and --

1 A. Exhibit 2 is the C-102 filed with the Oil
2 Conservation Division showing our surface and bottom hole
3 location in the proposed proration unit.

4 EXAMINER BROOKS: To correct the record or be sure
5 the record is correct here, the C-102 is Page 2 of Exhibit 1.

6 MR. BRUCE: That is correct.

7 EXAMINER BROOKS: Exhibit 2 appears to be an
8 ownership report.

9 MR. BRUCE: That is correct.

10 THE WITNESS: Oh, okay.

11 Q. What is Exhibit 2, Mr. Lang?

12 A. Mr. Exhibit is a list of the working interest owners
13 in the proration unit for the Momba 24 Fed Com Number 1H.

14 Q. And which of these parties does OGX seek to pool in
15 this well?

16 A. OGX seeks to pool COG Operating LLC, Concho Oil and
17 Gas LLC, Frank Blow Fowlkes, Christine Fowlkes and
18 Christopher C. Fowlkes, Edwin H. Fowlkes III or also known as
19 Trey Fowlkes, and Janet Renee Fowlkes Murrey.

20 Q. And are the Fowlkes family members unleased mineral
21 owners?

22 A. They are.

23 Q. And are you seeking to lease them?

24 A. We are.

25 Q. And if you do obtain leases from them, will you

1 notify the Division so that they are not subject to the
2 pooling order?

3 A. We will.

4 Q. And what is included in Exhibit 3, Mr. Lang?

5 A. These are certified letters that we got. They were
6 sent out on February 7 to all the owners, proposing the well,
7 which would include the AFE.

8 Q. So the AFE went not only to the leasehold owners, it
9 also went to unleased mineral interest owners?

10 A. Correct.

11 Q. And besides the letters, have you had conversations
12 with the people you are seeking to pool?

13 A. We have.

14 Q. And, in your opinion, have you made a good-faith
15 effort to obtain the voluntary joinder of these interest
16 owners in the well?

17 A. We have.

18 Q. What is Exhibit 4, Mr. Lang?

19 A. Exhibit 4 is the authorization for expenditure for
20 the Momba 24 Fed Com Number 1H, with anticipated dry hole
21 cost of \$1,539,215, completion cost of \$3,855,860, for a
22 total cost of \$5,395,075.

23 Q. And are these costs in line with the costs of other
24 wells drilled to this depth in this area of New Mexico?

25 A. They are.

1 Q. Do you request that OGX be appointed operator of the
2 well?

3 A. We do.

4 Q. What are your overhead recommendations?

5 A. Drilling overhead would be 6,000 a month, and
6 operating overhead would be 600 a month.

7 Q. And are these amounts equivalent to those charged by
8 other operators for wells of this depth in this area?

9 A. They are.

10 Q. Do you request that the overhead rates be adjusted
11 periodically as provided by the COPAS accounting procedure?

12 A. Yes, we do.

13 Q. And were the parties being pooled notified of this
14 hearing?

15 A. Yes, they were.

16 Q. Is that reflected in Exhibit 5?

17 A. It is.

18 Q. And does Exhibit 6 reflect the offset operators to
19 this well unit?

20 A. They do.

21 Q. And were the offsets who are not being pooled
22 notified of this application?

23 A. They were.

24 Q. And is that reflected in Exhibit 7?

25 A. Yes, it was.

1 Q. And, in your opinion, is the granting of this
2 application in the interest of conservation and the
3 prevention of waste?

4 A. It is.

5 Q. And were Exhibits 1 through 7 prepared by you or
6 under your supervision or compiled from company business
7 records?

8 A. They were.

9 MR. BRUCE: Mr. Examiner, I move the admission of
10 Exhibits 1 through 7.

11 EXAMINER BROOKS: 1 through 7 are admitted.

12 (Exhibits 1 through 7 admitted.)

13 MR. BRUCE: I have no further questions of the
14 witness.

15 EXAMINER BROOKS: Okay. I was noticing -- did
16 everyone get actual notice?

17 MR. BRUCE: Yes, sir.

18 EXAMINER BROOKS: You have green cards from
19 everyone?

20 MR. BRUCE: Yes.

21 EXAMINER BROOKS: You are pooling again only the
22 Bone Spring?

23 THE WITNESS: Yes.

24 EXAMINER BROOKS: Okay. I believe that's all I
25 have. Mr. Warnell?

1 EXAMINER WARNELL: Nothing from me.

2 EXAMINER BROOKS: Very good. Now we will -- at this
3 time we will conclude the record, the separate record for
4 14639, and we will begin the consolidated record for cases
5 14637, 14638, and 14639.

6 (Case 14639 taken under advisement per consolidated
7 record.)

8 (Exhibit 10 admitted through consolidated record.)

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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. 14639
heard by me on 4-28-11

David K. Brown Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

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I, IRENE DELGADO, New Mexico CCR 253, DO HEREBY
CERTIFY THAT ON April 28, 2011, 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 28th day of April 2011.


Irene Delgado, CCR 253
Expires: 12-31-2011