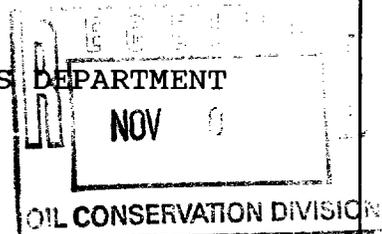


STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION DIVISION FOR THE )  
PURPOSE OF CONSIDERING: )  
 )  
APPLICATION OF SDX RESOURCES, INC., )  
FOR COMPULSORY POOLING, LEA COUNTY, )  
NEW MEXICO )  
 )

CASE NO. 11,637

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

November 7th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, November 7th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

## I N D E X

November 7th, 1996  
 Examiner Hearing  
 CASE NO. 11,637

	PAGE
APPEARANCES	3
REPORTER'S CERTIFICATE	10

\* \* \*

## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	8
Exhibit A	6	
Exhibit B	6	
Exhibit C	6	
Exhibit D	6	
Exhibit E	6	
Exhibit F	7	
Exhibit G	7	
Exhibit H	7	
Exhibit I	7	
Exhibit J	7	
Exhibit K	8	

\* \* \*

## A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL  
Attorney at Law  
Legal Counsel to the Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

KELLAHIN & KELLAHIN  
117 N. Guadalupe  
P.O. Box 2265  
Santa Fe, New Mexico 87504-2265  
By: W. THOMAS KELLAHIN

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 10:03 a.m.:

3           EXAMINER STOGNER: At this time I'll call next  
4 case, Number 11,637, which is the Application of SDX  
5 Resources, Incorporated, for compulsory pooling in Lea  
6 County, New Mexico.

7           At this time I'll call for appearances.

8           MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of  
9 the Santa Fe law firm of Kellahin and Kellahin, appearing  
10 on behalf of the Applicant.

11          EXAMINER STOGNER: Any other appearances?

12          Do you have any witnesses, Mr. Kellahin?

13          MR. KELLAHIN: Mr. Examiner, I do not. We are  
14 presenting this to you as a compulsory pooling case  
15 pursuant to the provisions of Rule 1207, where we're  
16 submitting this information by affidavit.

17          EXAMINER STOGNER: Do you have that with you at  
18 this time?

19          MR. KELLAHIN: Yes, sir.

20          EXAMINER STOGNER: For the matter of the record,  
21 Mr. Kellahin, would you care to go through each one and  
22 maybe describe it?

23          MR. KELLAHIN: Yes, sir. By way of background,  
24 Mr. Examiner, back in August I've presented to you a  
25 similar application for SDX. It's in Case 11,544, it's

1 Division Order R-10,648. I've given you a copy of that  
2 order.

3 This is an instance where the title documents  
4 which are attached to the affidavit demonstrate that an  
5 individual named Sadye Helen Johnston owns an interest, not  
6 only in the 40-acre tract involved in the prior case but  
7 also an interest in the 40-acre tract that's before you  
8 today. No one has been able to locate this lady.

9 We have recently drilled the well that was  
10 approved by 10,648, and SDX desires to attempt to drill  
11 another Drinkard-Blinebry well in the 40 acres that's  
12 before you today. The original 40-acre tract was in Lot 7,  
13 which is the 40 acres to the south of the 40 acres we're  
14 talking about this morning.

15 To bring you up to date, Mr. Morgan tells me that  
16 they have just recently completed the previous well.  
17 Unfortunately, in the Drinkard it only produces 12 barrels  
18 of oil and about 100 barrels of water. They set a bridge  
19 plug, have abandoned the Drinkard and moved up into the  
20 Blinebry.

21 The Blinebry is not particularly successful.  
22 It's producing based upon a test last week of 25 barrels of  
23 oil and about 70 to 80 MCF of gas. That wellbore cost  
24 \$393,000. When you add in the workover into the Blinebry,  
25 it brings the total up to \$420,000. That information may

1 be useful to you in deciding our request for a 200-percent  
2 risk factor for the current well.

3 Mr. Morgan, who is a petroleum engineer, has  
4 attested to and verified the affidavit that's before you  
5 and has provided me the exhibits that go into this display.  
6 The exhibits are as follows, Mr. Examiner:

7 Exhibit A is the C-102 that shows you the  
8 proposed Exxon Number 2 well will be located in Lot Number  
9 2. It appears that the tract contains only 37.89 acres,  
10 and we will ask the district office to process what I think  
11 is a nonstandard proration unit. But that is the locator  
12 map for the well. The well location would be standard.

13 Exhibit B is a vicinity map to give you an areal  
14 picture of where the well is located. It is north and east  
15 of Oil Center. Simply a locator map.

16 Exhibit C is a more specific location map. It  
17 gives you some topography so that if you desire to look at  
18 it you can see where they propose to spot that well.

19 Exhibit D is a land plat that shows you the  
20 configuration of the leases. It has spotted the well  
21 approved by the prior order. The open circle with the  
22 arrow shows you the approximate -- at least the 40-acre  
23 tract for the proposed well.

24 Exhibit E is a copy of that portion of portion of  
25 Calder Ezzell's drill-site title opinion that identifies

1 the fact that Sadye Helen Johnston has what appears to be a  
2 one-eighth interest in the spacing unit and that  
3 authenticates his opinion as to her interest.

4 Exhibit F is Mr. Rod MacDonald's letter to SDX  
5 dated October 22nd of 1996.

6 Mr. MacDonald is an attorney, and he has searched  
7 all the public records. In addition, he has made an  
8 attempt to locate Sadye Helen Johnston by looking at the  
9 telephone books and talking to parties in Lea County. In  
10 addition, I believe that he had someone check a CD-ROM  
11 search index, and they made a computer search trying to  
12 find this lady, and no one has been able to find her.

13 Exhibit G is the estimate of anticipated well  
14 costs for the Number 2 well. You need to recognize that  
15 this was prepared last month. The actual costs of the well  
16 that was just drilled are as I described. They appear to  
17 be slightly more than this AFE.

18 Exhibit H gives you a structural position where  
19 they show the approximate structural position of this well  
20 in the Blinebry-Drinkard area.

21 Exhibit I is a type log so that you can see the  
22 relationship of the Blinebry and the Tubb.

23 And then J is a three-page summary of an  
24 engineering evaluation of the potential opportunities to  
25 drill this well as a potential Blinebry and Drinkard well.

1           And then finally Exhibit K is a copy of the Ernst  
2 and Young overhead rates.

3           And we are requesting, Mr. Examiner, that you  
4 enter an order consistent with the prior order that you  
5 issued. The overhead rates that are being requested are  
6 \$4000 per month drilling and \$450 per month producing well  
7 rate.

8           With your permission, we would move the  
9 introduction of Mr. Morgan's Exhibit, which we've marked as  
10 Exhibit 1.

11           EXAMINER STOGNER: Exhibit Number 1 is hereby  
12 submitted and entered into the record in Case Number  
13 11,637.

14           Also note and for the record that Mr. Kellahin is  
15 appearing as legal counsel and not as witness today.

16           I'll also take administrative notice of prior  
17 Case 11,544, in which order Number R-10,648 was issued.

18           And at this time I'm prepared to take Case Number  
19 11,637 under advisement.

20           Should, however, additional information or  
21 perhaps actual testimony by an expert witness be required,  
22 this case could be reopened to supplement the record in  
23 that instance.

24           Anything further, Mr. Kellahin, at this time?

25           MR. KELLAHIN: No, sir. Thank you.

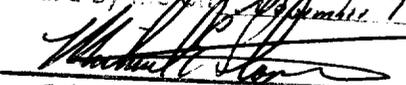
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EXAMINER STOGNER: In that case, Case Number  
11,637 will be taken under advisement at this time.

(Thereupon, these proceedings were concluded at  
10:14 a.m.)

\* \* \*

I do hereby certify that the foregoing is  
a complete and correct copy of the proceedings in  
the examination of Case No. 11637,  
heard by me on September 7, 1996.

  
\_\_\_\_\_, Examiner  
Oil Conservation Division

## 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 November 14th, 1996.



\_\_\_\_\_  
 STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998