

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 XERIC OIL AND GAS)
 CORPORATION FOR COMPULSORY POOLING,)
 LEA COUNTY, NEW MEXICO)
)

CASE NO. 11,802

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

June 26th, 1997

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, June 26th, 1997, 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.

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I N D E X

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E X H I B I T S

Applicant's	Identified	Admitted
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* * *

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 8:20 a.m.:

3 EXAMINER STOGNER: Okay, I'll call next case,
4 11,802.

5 MR. CARROLL: Application of Xeric Oil and Gas
6 Corporation for compulsory pooling, Lea County, New Mexico.

7 EXAMINER STOGNER: 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: Okay. Mr. Kellahin, you may
12 proceed.

13 MR. KELLAHIN: Mr. Examiner, I'm not aware of the
14 appearance of any other party in this matter, and we are
15 proposing to submit this to you pursuant to the Rule 1207
16 Sub 2, which provides an alternative method or procedure
17 for submitting an application for compulsory pooling where
18 it is known that the application is unopposed. We believe
19 this to be such a case.

20 I have prepared and marked as Xeric Exhibit 1 the
21 affidavit and supporting attachments to that affidavit, and
22 I will hand you those copies now.

23 The format used for the affidavit, Mr. Examiner,
24 tracks the language and the submittals required under 1207
25 Sub 2 (a). It's attested to by Lisa Snelson -- she's a

1 petroleum landman -- and by Randy Hall, a petroleum
2 geologist.

3 The chronology is summarized, and basically there
4 are four identities of interest in a 40-acre proposed
5 spacing unit, consisting of the property described on the
6 docket as the southwest quarter, southwest quarter of
7 Section 19, 20 South, 39 East. It's a proposal to drill
8 their Carter Well Number 1 at a standard location to test
9 for production from the surface through the base of the Abo
10 formation.

11 The four entities and individuals described here
12 have not been locatable by the Applicant. That effort is
13 summarized in one of the attachments, and if you'll turn
14 with me to Exhibit A, you can see the proposed 40-acre
15 tract down in the southwest quarter of Section 19.

16 Followed behind that is Exhibit B, which
17 identifies the percentage interest in the spacing unit of
18 these individuals and identifies an address.

19 Subsequent affidavits and exhibits demonstrate
20 that these addresses are outdated and the parties cannot be
21 located.

22 Starting with Exhibit C, there's a summary of the
23 landman's efforts to locate Alice Bannatyne. The exhibit
24 is organized in a manner to show you. The premise is that
25 this interest is identified as a result of documents filed

1 in Lea County in November of 1960.

2 There is no address indicated for this
3 individual.

4 The second part of the affidavit summarizes the
5 series of five different attempts, including CD-ROM
6 computer searches of telephone directories in the United
7 States, and other efforts to locate an address for this
8 individual.

9 It then goes on and summarizes the results. And
10 the efforts, despite a good-faith attempt, have been
11 unsuccessful.

12 The next attachment to Exhibit C identifies the
13 heirs of Harald Muller and Helen Muller. The document
14 demonstrating an interest to these individuals was recorded
15 in Lea County in 1983.

16 While that appears to be a more recent filing,
17 the attempts, again, have been unsuccessful, as documented
18 in the affidavit. And as a result, the landman is unable
19 to locate either one of these individuals, despite her best
20 effort.

21 The next page, page 3 of Exhibit C, identifies an
22 interest of William J. Foster. The record-check in Lea
23 County demonstrates a document placed of record in 1950,
24 summarizes the attempts and concludes with the result that
25 they are unable, despite their efforts, to find William J.

1 Foster.

2 In addition, that same document recorded in 1950
3 shows the interest of Mary C. Foster Geddes. They
4 apparently were -- My recollection is, they were husband
5 and wife, but they may have been related in some other
6 immediate way.

7 The end result, however, is, the landman is not
8 able to find Mary Geddes despite her good-faith efforts.

9 The affidavit request that the overhead rates be
10 approved for pooling using \$4000 a month drilling and \$400
11 a month producing, it follows the Ernst and Young average,
12 which is attached as Exhibit F to the affidavit.

13 Exhibit H to the affidavit is a copy of the AFE
14 showing that a completed well for this area and this
15 particular AFE is for \$455,000.

16 The geologist, then, attaches to the exhibit a
17 series of geologic displays to support his conclusion of a
18 200-percent risk factor penalty. He starts with Exhibit D,
19 which is a structure map on top of the Tubb.

20 It shows the presence in the immediate vicinity
21 of a plugged and abandoned well and shows you that there
22 are not producing Abo wells north, northwest, northeast of
23 this location, and the production, if available, is to the
24 south.

25 This appears to be on the fringe of this Abo

1 development and explains part of his conclusion with
2 regards to risk.

3 He's attached a type log so that you can see the
4 intervals that he is describing, and then he gives you a
5 copy of the Exhibit F, which is the Ernst and Young
6 tabulation.

7 Exhibit G is the spotted and approved location
8 for the well, as demonstrated on a C-102.

9 And then finally Exhibit H is the AFE for the
10 dryhole and completed well cost.

11 I believe the information is complete at this
12 time, Mr. Examiner, and with your permission we would
13 request the submittal and admission of Exhibit 1.

14 EXAMINER STOGNER: Exhibit 1, subparts A through
15 H, I believe, will be admitted into evidence at this time.

16 Again, Mr. Kellahin, what is the requested risk
17 penalty factor?

18 MR. KELLAHIN: The affidavit reflects an opinion
19 and a request for 200 percent.

20 EXAMINER STOGNER: 200 percent.

21 Does anybody else have anything further in Case
22 Number 11,802?

23 Again, thank you, Mr. Kellahin. I like this
24 procedure in which you and Mr. Carr have established on
25 this type of compulsory pooling on these type of cases. I

1 congratulate your efforts on that.

2 MR. KELLAHIN: Thank you.

3 EXAMINER STOGNER: Okay, I'll take 11,802 under
4 advisement.

5 (Thereupon, these proceedings were concluded at
6 8:30 a.m.)

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Michael P. Stogner
June 11 1982
Oil Conservation Division
Chairman

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 June 26th, 1997.


 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998