

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 KUKUI OPERATING)
 COMPANY FOR COMPULSORY POOLING)
 AND A NONSTANDARD GAS SPACING AND)
 PRORATION UNIT, LEA COUNTY, NEW MEXICO)

CASE NO. 12,773

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner

February 21st, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Hearing Examiner, on Thursday, February 21st, 2002, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

01.03.2002 11:01 AM
 02 MAR -1 11 08:01

I N D E X

February 21st, 2002
Examiner Hearing
CASE NO. 12,773

| | |
|------------------------|------|
| | PAGE |
| APPEARANCES | 3 |
| REPORTER'S CERTIFICATE | 10 |

* * *

E X H I B I T

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit A | 5 | - |

* * *

A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS
Attorney at Law
Energy, Minerals and Natural Resources Department
Assistant General Counsel
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
110 N. Guadalupe, Suite 1
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

ALSO PRESENT:

MICHAEL E. STOGNER
Hearing Examiner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87501

* * *

1 WHEREUPON, the following proceedings were had at
2 10:51 a.m.:

3
4 EXAMINER BROOKS: Okay, Case Number 12,773,
5 amended Application of KUKUI Operating Company for
6 compulsory pooling and a nonstandard gas spacing and
7 proration unit, Lea County, New Mexico.

8 Call for appearances.

9 MR. CARR: May it please the Examiner, my name is
10 William F. Carr with the Santa Fe office of Holland and
11 Hart, L.L.P. We represent KUKUI Operating Company in this
12 matter.

13 I have no witness, I have a statement.

14 EXAMINER BROOKS: Okay, as I recall this -- I'm
15 trying to recall the previous hearing in this case. Was
16 the nonstandard spacing unit, was that previously approved?

17 MR. CARR: No, sir. The case was presented to
18 you January the 10th, and it included a request for a
19 329.83-acre --

20 EXAMINER BROOKS: Okay.

21 MR. CARR: -- nonstandard unit, and that was
22 because of a variation of a public land survey. And they
23 were also seeking pooling authority to drill a well at a
24 standard location.

25 Following the hearing and prior to the entry of

1 an order, they went out to stake the well and discovered
2 that the location was over a pipeline. That, plus it was
3 in fairly close proximity to a road, caused them to move
4 the well 400 feet to the east. It is still at a standard
5 location on the acreage that they're seeking it be pooled.
6 The new location is 1980 from the north line, 800 from the
7 east line. Previously, their location was 1200 feet from
8 the east line.

9 We contacted the Division, I talked with you. We
10 have, following that conversation, filed an amended
11 Application changing the well location. We have renotified
12 all affected parties, and I have an affidavit marked
13 Exhibit A in this reopened case, which confirms that notice
14 of the amended application was provided to all affected
15 parties, and we would request that the case today be taken
16 under advisement based on the record made on January the
17 10th.

18 EXAMINER BROOKS: Anything further?

19 MR. CARR: No, other than the numbers, the
20 footage location. The testimony would be identical today.

21 EXAMINER BROOKS: Okay, and the new footage
22 location is 1980 from the north and 800 feet from the east?

23 MR. CARR: Yes, sir.

24 EXAMINER BROOKS: Very good, Case Number 12,773
25 will be --

1 EXAMINER STOGNER: Before you do that, I may have
2 something further.

3 EXAMINER BROOKS: Go ahead.

4 EXAMINER STOGNER: Now, it was advertised in the
5 manner of nonstandard gas proration unit, but in fact it's
6 one of those elongated sections?

7 MR. CARR: Correct, and it is sort of what would
8 be -- I don't know how to describe it. It would be the
9 northwest quarter, if you started in the northwest, and the
10 quarter directly below it, but there were the variations on
11 that, and --

12 EXAMINER STOGNER: Okay, that would be Lots 1 --

13 MR. CARR: Yes, correct.

14 EXAMINER STOGNER: -- the lots, the actual
15 descriptions, don't start till that south half, south half?

16 MR. CARR: That's right.

17 EXAMINER STOGNER: So that -- It's nonstandard
18 inasmuch as it's an irregular section?

19 MR. CARR: Correct. And that -- it's certain
20 lots, and it's really described in the Application, but
21 it's described really as --

22 EXAMINER STOGNER: It's a lot, you can't describe
23 it.

24 MR. CARR: -- the west half of the north third or
25 something like that. There is a description in there, I

1 can find it.

2 Mr. Stogner, how it was described is Lots 1, 2,
3 7, 8, 9, 10, 15 and 16, the east half of the north third
4 and the east third of the central third. And I have never
5 dealt with a description quite like that before.

6 EXAMINER BROOKS: Well, I've heard descriptions
7 like it in Texas. I don't recall ever hearing a
8 description like it in New Mexico before.

9 MR. CARR: Anyway, that's the best description we
10 had. It's shown on the plat.

11 EXAMINER BROOKS: Well, I was assuming maybe
12 there was a plat introduced previously, but there's nothing
13 in the file. Is this all the file we have?

14 MR. CARR: Exhibit 1 is a plat. It shows --

15 EXAMINER BROOKS: It's probably in my office,
16 actually. Or Florene may have it, I don't know.

17 MR. CARR: Exhibit 1 did show basically how it
18 was broken out. But again, the best description we could
19 come up with was that...

20 EXAMINER STOGNER: I just wanted to verify what
21 that portion of the section was, and --

22 MR. CARR: I think the safest way to describe it
23 is by the lot numbers, because every tract within the
24 329.83-acre unit does have a lot number.

25 EXAMINER STOGNER: And actually --

1 MR. CARR: And again, it starts up in the --
2 Really, it's in the north half.

3 And we've been through this before. When you
4 have these irregular sections, it seems to me you start
5 with the southeast corner and work out from there. And so
6 this one is awkward.

7 EXAMINER STOGNER: Well, surveyors start from the
8 southeast corner and work upwards and outwards.

9 MR. CARR: Right.

10 EXAMINER STOGNER: That's the reason your
11 corrections are to the north --

12 MR. CARR: Right.

13 EXAMINER STOGNER: -- and to the west of the
14 township, and that's the variation they go on.

15 Okay, so the lot numbers are the descriptions.

16 MR. CARR: Correct.

17 EXAMINER STOGNER: And what is a Kukui?

18 MR. CARR: Kukui is the largest -- It's a company
19 that's the largest property owner in the State of Hawaii,
20 and in the Rand Energy Company bankruptcy proceedings
21 succeeded to the interest, somehow, of Rand Energy. A new
22 company in this area.

23 MR. KELLAHIN: What's a Kukui? Is it a bird?

24 MR. CARR: If you -- Sitting over my left
25 shoulder is the nearest thing to a Kukui I know.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

(Laughter)

EXAMINER STOGNER: Okay, I'm through, let's stop.

EXAMINER BROOKS: Okay, if there's nothing further, Case Number 12,773 will be taken under advisement. Thank you.

(Thereupon, these proceedings were concluded at 10:58 a.m.)

* * *

Handwritten: The following is
a true and correct copy of the
transcript of the hearing held in
Case No. 12773
on Feb 21, 2009
David K. [Signature], Examiner
Office of the Registrar

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 March 2nd, 2002.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002