

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: ) CASE NO. 12,925  
 )  
 APPLICATION OF TRILOGY OPERATING, INC., )  
 FOR COMPULSORY POOLING, LEA COUNTY, )  
 NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner

September 19th, 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, September 19th, 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.

\* \* \*

STEVEN T. BRENNER, CCR  
 (505) 989-9317

## I N D E X

September 19th, 2002  
Examiner Hearing  
CASE NO. 12,925

PAGE

REPORTER'S CERTIFICATE

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## E X H I B I T

Applicant's

Identified

Admitted

Exhibit 1

4

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\* \* \*

## 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:

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

\* \* \*

## ALSO PRESENT:

MICHAEL E. STOGNER  
Hearing Examiner  
New Mexico Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, NM 87505

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 10:09 a.m.:

3           EXAMINER BROOKS: At this time we'll call Case  
4 Number 12,925, Application of Trilogy Operating, Inc., for  
5 compulsory Pooling, Lea County, New Mexico.

6           Call for appearances.

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

10          EXAMINER BROOKS: Any other appearances?

11          Do you have any witnesses?

12          MR. KELLAHIN: No, sir.

13          We're submitting this Application to you pursuant  
14 to Division Rules that we may do this in accordance with  
15 affidavit.

16          EXAMINER BROOKS: Okay, I note that this case is  
17 styled in the absence of objection, this matter will be  
18 taken under advisement.

19          MR. KELLAHIN: When you're ready, Mr. Brooks,  
20 I'll proceed to give you a short version of the case.

21          EXAMINER BROOKS: You may proceed.

22          MR. KELLAHIN: I've included in the exhibit book  
23 -- If you open the book, in the left-hand pocket is a prior  
24 Division order that's dated in September, and it involves  
25 the same parties --

1 EXAMINER BROOKS: Okay.

2 MR. KELLAHIN: -- and it sets forth the mechanics  
3 of what we were doing for the Sapphire Number 1 well.

4 The only difference between this order and the  
5 order to be entered in the current case is that Trilogy has  
6 already commenced drilling this Sapphire Number 2 well, and  
7 we would expect you to reduce the risk factor penalty to  
8 cost plus 100 percent.

9 To show you the short version, if you'll turn  
10 behind Exhibit 1 and look at the geologic tab, and then if  
11 you'll turn to the last part of that presentation, there's  
12 a map that we can use for a locator.

13 You see the cross-section line is focused on  
14 Section 24. If you'll visually subdivide the section and  
15 look at the northeast quarter, you'll find the Sapphire  
16 Number 1 well in the southern portion of the 40 acres.  
17 North of that, you'll see an open dot where it says  
18 Sapphire Number 2.

19 The Number 1 well was drilled from surface  
20 through the Abo. The affidavit from the geologist  
21 summarizes that the Sapphire 1 is only productive from the  
22 Abo. They thought the Blinbry would be a target. It  
23 failed at that location.

24 They're now stepping out to the location in Unit  
25 B with the Sapphire 2. It is, I think, 50-something feet

1 downstructure from the Number 1 and substantially describes  
2 a risk involved in the Sapphire Number 2.

3           The northeast quarter of Section 24 is  
4 subdivided, east half, west half, and there's an ownership  
5 map shown under the land, but the northwest quarter of the  
6 northeast quarter is a 40-acre tract. But it has some of  
7 the same owners as were involved in the 40 acres for the  
8 Sapphire 1.

9           We tried to contact them on a prior well, we were  
10 unsuccessful in reaching agreement. We've done the same  
11 thing in this case. The return receipt cards will show  
12 that for all those I had addresses, we were able to obtain  
13 service on them, and the very first document in the exhibit  
14 book is my certificate to that effect. We sent them a copy  
15 of the advertisement, the Application, a breakout of the  
16 interest, and nobody's heard from them.

17           There are other parties shown in the Application  
18 for which we could not find addresses, and they used  
19 Internet searches and all the rest and simply can't find  
20 those people.

21           We would ask for the same overhead charges that  
22 you've awarded us before. Those overhead charges are \$4500  
23 a month drilling well, and at this point we've drilled the  
24 well so we're under a continuing production rate of \$450 a  
25 month. But this is almost like the one we did in

1 September.

2 The affidavit is signed by a landman, a geologist  
3 and engineer, attesting to all the technical details  
4 appropriate for their portion of the presentation. There  
5 is a narrative on the geology, the engineering breakdown  
6 shows the well cost, and the land breakdown shows you  
7 copies of all the correspondence efforts to obtain  
8 agreement.

9 And at this point we think we have accomplished  
10 the requirements of the Division Rules and would like you  
11 to take this case under advisement and to issue an  
12 appropriate order.

13 EXAMINER BROOKS: Okay, the previous order was  
14 for the southwest northeast --

15 MR. KELLAHIN: Yes, sir.

16 EXAMINER BROOKS: -- and I always have to think  
17 my way through these things, but that would be --

18 MR. KELLAHIN: The northwest of the northeast.

19 EXAMINER BROOKS: This is the northwest of the  
20 northeast?

21 MR. KELLAHIN: Yes, sir.

22 EXAMINER BROOKS: The current one is the  
23 northwest? The current one is Unit B. That would have  
24 been -- the previous one would have been Unit G --

25 MR. KELLAHIN: That's right.

1 EXAMINER BROOKS: -- and at that time you pooled  
2 from the surface to the base of the Abo. Is this to be the  
3 same?

4 MR. KELLAHIN: Same, with the same pool  
5 designations, with the recognition that only the Abo  
6 appears to have been productive in the first well.

7 EXAMINER BROOKS: But you've dedicated -- It's  
8 the same interval, so you've included the same pools?

9 MR. KELLAHIN: Yes, sir.

10 EXAMINER BROOKS: Okay. And this is at a  
11 standard location?

12 MR. KELLAHIN: Yes, sir, it is. It's in the  
13 center of the 40. There's a C-102 that will show that to  
14 you.

15 EXAMINER BROOKS: Okay, can't get much more  
16 standard than that.

17 And you said you had -- Did I understand you had  
18 different people, or was it just different proportions from  
19 the previous proceeding?

20 MR. KELLAHIN: I checked that file this morning  
21 upstairs, and my recollection is that they're the same  
22 percentages and the same people.

23 EXAMINER BROOKS: Okay, so the same percentages  
24 and the same owners.

25 MR. KELLAHIN: And I'm not sure quite how that



1 happened, but the lease division up there is such that that  
2 has occurred.

3 EXAMINER BROOKS: Okay, I don't believe I have  
4 anything further.

5 Mr. Stogner?

6 EXAMINER STOGNER: No, I do not.

7 EXAMINER BROOKS: Very good, Case Number 12,925  
8 will be taken under advisement.

9 MR. KELLAHIN: Thank you, Mr. Brooks.

10 (Thereupon, these proceedings were concluded at  
11 10:16 a.m.)

12 \* \* \*

13  
14  
15 I do hereby certify that the foregoing is  
16 a complete record of the proceedings in  
17 the Examiner hearing of Case No. 12925  
18 heard by me on Sept 19, 2002.  
19 David K. Brooks, Examiner  
20 Oil Conservation Division  
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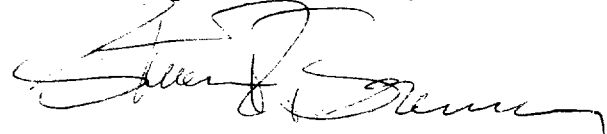
## CERTIFICATE OF REPORTER

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 September 21st, 2002.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002