

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. 13,353

APPLICATION OF SAMSON RESOURCES)
COMPANY FOR COMPULSORY POOLING AND)
AN UNORTHODOX GAS WELL LOCATION,)
EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

November 4th, 2004

Santa Fe, New Mexico

2004 NOV 18 AM 10 49

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, November 4th, 2004, 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.

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November 4th, 2004
Examiner Hearing
CASE NO. 13,353

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<u>ELIZABETH E. MOSES</u> (Landman)	
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E X H I B I T S

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A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
 Deputy General Counsel
 Energy, Minerals and Natural Resources Department
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

JAMES G. BRUCE
 Attorney at Law
 P.O. Box 1056
 Santa Fe, New Mexico 87504

FOR HARVEY E. YATES COMPANY:

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

* * *

1 WHEREUPON, the following proceedings were had at
2 9:42 a.m.:

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7 EXAMINER JONES: Let's call Case 13,353,
8 readvertised, Application of Samson Resources Company for
9 compulsory pooling and an unorthodox gas well location,
10 Eddy County, New Mexico.

11 Call for appearances.

12 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
13 representing the Applicant. I have one witness to be
14 sworn.

15 EXAMINER JONES: Other appearances?

16 MR. CARR: May it please the Examiner, my name is
17 William F. Carr with the Santa Fe office of Holland and
18 Hart, L.L.P. We represent Harvey E. Yates Company in this
19 matter, and I have no witnesses.

20 EXAMINER JONES: I'm sorry, Mr. Bruce, did you
21 say no witnesses?

22 MR. BRUCE: One witness, Mr. Examiner.

23 EXAMINER JONES: One witness. Will the witness
24 please stand to be sworn?

25 (Thereupon, the witness was sworn.)

1 ELIZABETH E. MOSES,
2 the witness herein, after having been first duly sworn upon
3 her oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. BRUCE:

6 Q. Would you please state your name and city of
7 residence for the record?

8 A. Elizabeth Moses, Midland, Texas.

9 Q. Who do you work for and in what capacity?

10 A. I am a consulting landman for Samson Resources
11 Company.

12 Q. Have you previously testified before the
13 Division?

14 A. Yes.

15 Q. And were your credentials as an expert petroleum
16 landman accepted as a matter of record?

17 A. Yes.

18 Q. And are you familiar with the land matters
19 involved in this case?

20 A. Yes.

21 MR. BRUCE: Mr. Examiner, I'd tender Ms. Moses as
22 an expert petroleum landman.

23 EXAMINER JONES: Ms. Moses is qualified as an
24 expert petroleum land manager.

25 Q. (By Mr. Bruce) Would you please identify Exhibit

1 1 for the Examiner and describe the well unit and the
2 well's location?

3 A. Exhibit 1 is a location plat highlighting the
4 east half of Section 17, 18 South, 30 East, Eddy County.
5 We're seeking an order to pool the east half for the
6 purposes of re-entering a Morrow well. The well is located
7 2310 from the north line and 660 from the east line.

8 Q. Okay, so this well was drilled what, sometime in
9 1997?

10 A. Yes.

11 Q. And was plugged and abandoned, I believe?

12 A. Yes.

13 Q. And Samson proposes to re-enter that well and to
14 test one or more formations; is that correct?

15 A. That's correct.

16 Q. Now, when this well was drilled, its location, I
17 believe, was orthodox under then-existing pool rules; is
18 that correct, Ms. Moses?

19 A. That's correct.

20 Q. Under today's rules it's unorthodox because it's
21 too close to that center quarter section line, and Samson
22 does request approval of the unorthodox location?

23 A. Yes.

24 Q. And with respect to the unorthodox location, the
25 well is not encroaching on anyone outside the well unit, so

1 no one has been notified with respect to the unorthodox
2 location; is that correct?

3 A. That's correct.

4 Q. I would refer you to Exhibit 2, and could you
5 just briefly identify that for the Examiner and tell the
6 Examiner who on this list needs to be force-pooled?

7 A. Exhibit 2 is a list of all the working interest
8 owners, showing their working interest. I have a -- the
9 last column on the right, entitled "Election", those that
10 are indicated "participate" signed a joint operating
11 agreement and do not need to be pooled.

12 The others with no response listed by their name,
13 or if it says "be force pooled", need to be force pooled.
14 There are some parties that want to be force pooled.

15 Q. Okay, so if it says "participate" they are not to
16 be force pooled into the well?

17 A. That's correct.

18 Q. Okay. Next, let's move on to your efforts to
19 obtain the voluntary joinder of the interest owners in the
20 well. I would refer you to Exhibit 3 and ask you to
21 identify that packet for the Examiner.

22 A. Exhibit 3 is copies of all the correspondence
23 that I've had with the various working interest owners.
24 They were originally sent a letter August 23rd, 2004,
25 proposing the well, and there were follow-up letters sent

1 on September 20th and on October 15th. And I've also
2 called them, and most of my conversations with them are
3 noted on the correspondence.

4 Q. Okay. Now, there's a bunch of interest owners,
5 and you have gotten -- just roughly, what percentage of the
6 parties are voluntarily participating in the well, just off
7 the top of your head?

8 A. About 20 percent -- well, excluding the operator,
9 about 20 percent.

10 Q. Okay. And Samson has 67, so you're closing in on
11 90 percent have voluntarily agreed to participate in the
12 well?

13 A. Correct.

14 Q. Okay. In your opinion has Samson made a good-
15 faith effort to obtain the voluntary joinder of the
16 interest owners in the well?

17 A. Yes.

18 Q. Could you identify Exhibit 4 for the Examiner and
19 discuss the cost of the proposed well?

20 A. Exhibit 4 is an AFE for this re-entry. It's to a
21 proposed depth of 12,000 feet. The dryhole costs are
22 \$274,478, the completed cost \$1,081,418.

23 Q. And is this cost in line with the cost of other
24 wells re-entered and recompleted at this depth in this area
25 of Eddy County?

1 A. Yes.

2 Q. Does Samson request that it be designated
3 operator of the well?

4 A. Yes.

5 Q. And what overhead rates is Samson requesting?

6 A. \$6500 a month for a drilling well and \$650 a
7 month for a producing well.

8 Q. Are these amounts equivalent to those normally
9 charged by Samson and other operators in this area of Eddy
10 County?

11 A. Yes, they are.

12 Q. And do you request that the overhead rates be
13 adjusted periodically as provided by the COPAS accounting
14 procedure?

15 A. Yes.

16 Q. Does Samson request the maximum cost-plus-200-
17 percent penalty or risk charge be assessed against any
18 nonconsenting interest owners?

19 A. Yes.

20 Q. And finally, were all of the interest owners
21 notified of this hearing by certified mail?

22 A. Yes.

23 Q. And is Exhibit 5 the affidavit of notice?

24 A. Yes.

25 Q. In Exhibit 5, the very last page, Ms. Moses,

1 there's one notice to the Estate of William Dooley.
2 Everyone received individual certified notice except this
3 one. Besides my mailing, did Samson also have trouble
4 contacting this person?

5 A. Yes.

6 Q. And had Samson made a good-faith search of the
7 county and other records to determine any last known
8 address for this person?

9 A. Yes, we used the last known address that we could
10 find in the Eddy County records.

11 MR. BRUCE: As a result, Mr. Examiner, since
12 Paula Dooley could not be located, Exhibit 6 is the
13 affidavit of notice -- affidavit of publication of the
14 legal notice published in Eddy County.

15 Q. (By Mr. Bruce) Ms. Moses, were Exhibits 1
16 through 6 prepared by you or under your supervision or
17 compiled from company business records?

18 A. Yes.

19 Q. And in your opinion is the granting of this
20 Application in the interests of conservation and the
21 prevention of waste?

22 A. Yes.

23 Q. One final question. Would Samson request an
24 expedited order in this matter?

25 A. Yes, we would, we have a window for a rig pretty

1 soon, and we would request an expedited order. We're
2 planning on moving on November 15th.

3 MR. BRUCE: Mr. Examiner, if I could, I can
4 provide a draft order to you.

5 EXAMINER JONES: I think I can do it.

6 MR. BRUCE: Okay.

7 EXAMINER JONES: But November 15th, that means --
8 When would you need the order?

9 THE WITNESS: As soon as we possibly could, so we
10 could get the ball rolling. Like today?

11 EXAMINER JONES: I see.

12 MR. BRUCE: I mean, obviously the notice period
13 is going to be running during the period of elections, but
14 we'd like to get at least the order beforehand so we could
15 at least send the election orders before the operations
16 commence.

17 EXAMINER JONES: Some people start drilling
18 before we give them a -- I understand, before we do a
19 compulsory -- You don't like to do that, huh?

20 THE WITNESS: We don't like to do that, but with
21 rigs the way they are these days, sometimes you're forced.

22 MR. BRUCE: Anything I can do to help, Mr.
23 Examiner.

24 EXAMINER JONES: Okay, Mr. Carr?

25 MR. CARR: I have no questions.

1 MR. BRUCE: Oh, and Mr. Examiner, I'd move the
2 admission of Exhibits 1 through 6.

3 EXAMINER JONES: Exhibits 1 through 6 will be
4 admitted to evidence.

5 EXAMINATION

6 BY EXAMINER JONES:

7 Q. This Morrow is a -- Morrow recompletions are
8 traditionally kind of difficult because the Morrow gets
9 damaged when you additionally drill it, but obviously they
10 think this -- do you have any of your parties that did not
11 agree with this so far talk about that or give a reason for
12 not signing it?

13 A. Some of the parties that haven't participated so
14 far, I think some of their questions had to do with the
15 amount of the AFE --

16 Q. Okay.

17 A. -- and there were several reasons -- a
18 recompletion, as you said, you just don't know what's going
19 to happen.

20 EXAMINER JONES: Okay.

21 (Off the record)

22 Q. (By Examiner Jones) Okay, why did some people
23 want to be force pooled?

24 A. I asked them that question, and they just said
25 that's what they want to do. They couldn't give me a good

1 reason, and I was like, you'd be better off signing the
2 operating agreement and going nonconsent, but they said no,
3 we want to be force pooled. Okay.

4 Q. Competing funds, maybe, with other business units
5 within their company.

6 A. Or something.

7 Q. You have no idea why Yates didn't want to sign
8 up?

9 A. Yates Energy?

10 Q. Yes, or Harvey E. Yates Company?

11 A. No, I made a phone call to them Tuesday, and it
12 went unanswered. I haven't been -- I know Fred Yates was
13 out of town, and that was part of the problem earlier this
14 week, that they just haven't made a decision. But we'll
15 continue to work with them to try to --

16 EXAMINER JONES: Okay. How about -- Maybe the
17 draft order would be a good idea, just the main points, you
18 don't have to do all the --

19 MR. BRUCE: Correct.

20 EXAMINER JONES: -- fancy word processing.

21 MR. BRUCE: I'll let Mr. Carr do that.

22 EXAMINER JONES: Yes.

23 MR. CARR: If I can get my computer to turn on.

24 MR. BRUCE: I have nothing further in this
25 matter, Mr. Examiner.

1 EXAMINER JONES: Okay, thank you very much.

2 THE WITNESS: Thank you.

3 EXAMINER JONES: Okay with that, let's take Case
4 13,353 under advisement.

5 (Thereupon, these proceedings were concluded at
6 9:53 a.m.)

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11
12 I do hereby certify that the foregoing is
13 a complete record of the proceedings in
14 the Examiner hearing of Case No. _____
15 heard by me on _____
16 _____, Examiner
17 Oil Conservation Division
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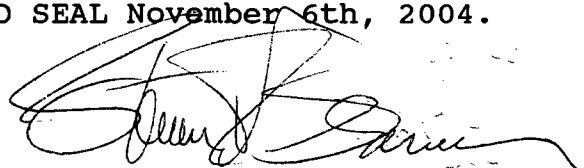
CERTIFICATE OF REPORTER

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 November 6th, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006

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