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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.: 14661

APPLICATION OF OGX RESOURCES LLC  
FOR APPROVAL OF A NON-STANDARD OIL  
SPACING AND PRORATION UNIT AND  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

**ORIGINAL**

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Legal Examiner  
WILLIAM JONES, Technical Examiner

DATE: June 23, 2011  
Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Legal Examiner, and WILLIAM JONES, technical Examiner, on Thursday, June 23, 2011, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Irene Delgado  
Paul Baca Professional Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87103

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A P P E A R A N C E S

FOR THE APPLICANT:

JIM BRUCE

P.O. Box 1056

Santa Fe, NM 87504-1056

FOR CHESAPEAKE:

MICHAEL FELDEWERT

HOLLAND & HART

110 North Guadalupe Suite 1

Santa Fe, NM 87501

I N D E X

EXHIBITS A and B WERE ADMITTED

06

1 EXAMINER JONES: Okay. Let's go back on the  
2 record and call Case 14661. Call for appearances in  
3 the case.

4 MR. BRUCE: Mr. Examiner, Jim Bruce of  
5 Santa Fe representing OGX Resources, LLC. I just have  
6 some affidavits to support.

7 EXAMINER JONES: Any other appearances?

8 MR. FELDEWERT: Mr. Examiner, Michael  
9 Feldewert with the Santa Fe office of Holland and Hart  
10 appearing on behalf of Chesapeake Exploration LLC.

11 EXAMINER JONES: Did Chesapeake make an  
12 appearance two weeks ago?

13 MR. FELDEWERT: They did, sir.

14 EXAMINER JONES: Any other appearances?

15 MS. MUNDS-DRY: I'm just standing.

16 EXAMINER JONES: Okay.

17 MR. BRUCE: Mr. Examiner, this case was heard  
18 two weeks ago. There was -- there were a couple of  
19 issues that came up, maybe three, one of which has been  
20 taken care of during the questioning of my land  
21 witness. There was a separate ruling that was held six  
22 or eight weeks ago in Chesapeake, I think it was Case  
23 14638, and Chesapeake asked OGX to release or rescind  
24 the pooling order that had been entered in that case.  
25 That has been done. And the second matter was notice

1 to one of the parties, one the parties being pooled was  
2 a Marshalynn McGahey. Exhibit A, I have attached, she  
3 was successor in interest to her husband, Phillip  
4 McGahey. I have attached or submitted as Exhibit A an  
5 affidavit of Gary Lang, the landman, land manager for  
6 OGX, and attached to the affidavit is the Texas probate  
7 of Mr. McGahey. Mr. McGahey and his wife, Marshalynn  
8 McGahey, owned a mineral interest as community  
9 property, and he died. His estate was probated in  
10 Texas, but not New Mexico, and even though Mr. Brooks  
11 isn't here, the legal effect of that in New Mexico,  
12 because there was no New Mexico probate, is that he was  
13 considered intestate in this state, but because it was  
14 community property, all of the property passed to his  
15 wife, Marshalynn McGahey, so she was the only person  
16 that needed to be given notice to. We have been  
17 informed that Ms. McGahey leased her interest to  
18 Chesapeake, but we haven't seen the lease, and we have  
19 requested the lease, but we have not seen it, yet, but  
20 regardless, I think all parties were properly notified  
21 is the end result of this.

22 And the other thing was ongoing negotiations  
23 between the parties, and submitted as Exhibit B is  
24 another affidavit of Gary Lang. Mr. Feldewert had  
25 questioned him about negotiations between the parties,

1 and just to supplement the record, we attached all the  
2 e-mail correspondence between the parties. There were  
3 four or five different poolings, so you will see a  
4 bunch of well names here, but they have been in contact  
5 and they haven't been able to reach terms. A couple of  
6 weeks ago Chesapeake called OGX about a term  
7 assignment, but no written term assignment has been  
8 admitted at this time. I think they are still in  
9 discussions, but at this point no agreement has been  
10 reached, and so we just ask that the matter be taken  
11 under advisement at this time.

12 EXAMINER JONES: Mr. Feldewert?

13 MR. FELDEWERT: We have no -- I have no  
14 witness, and I'm appearing on behalf of Chesapeake to  
15 receive these clarifications on the record as to where  
16 the parties stand. It's also my understanding that  
17 there have been presented two JOAs?

18 MR. BRUCE: Those are the JOAs you requested  
19 two weeks ago, I think, for the Copper -- the other  
20 well in Section 31, and the Diamondback 22, which at  
21 this point is not being drilled, but the pooling order  
22 has been released.

23 MR. FELDEWERT: I have nothing.

24 EXAMINER JONES: Okay. With that, we will  
25 admit --

1 MR. BRUCE: Oh, yes, please admit Exhibits A  
2 and B.

3 EXAMINER JONES: Admit Exhibits A and B in  
4 Case 14661.

5 (Exhibits A and B admitted.)

6 EXAMINER JONES: Okay. With that, we will  
7 take Case 14661 under advisement.

8 MR. FELDEWERT: Thank you.

9 EXAMINER JONES: Be back at 130.

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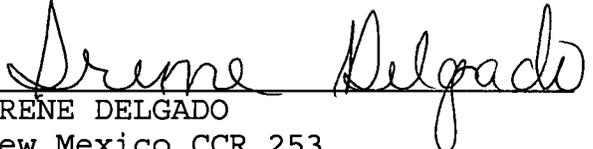
I hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_  
\_\_\_\_\_, Examiner  
Oil Conservation Division

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REPORTER'S CERTIFICATE

I, IRENE DELGADO, NM CCR 253, DO HEREBY CERTIFY that on June 23, 2011, I did, in stenographic shorthand transcribe the proceedings set forth herein, and that the foregoing pages are a true and correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor related to nor contracted with (unless excepted by the rules) any of the parties or attorneys in this matter, and that I have no interest whatsoever in the final disposition of this matter.

  
IRENE DELGADO  
New Mexico CCR 253  
License Expires: 12-31-11