

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. 13,497

APPLICATION OF SAMSON RESOURCES COMPANY)
FOR COMPULSORY POOLING, EDDY COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

June 30th, 2005

Santa Fe, New Mexico

2005 JUL 11 PM 1 06

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This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday June 30th, 2005, 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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I N D E X

June 30th, 2005
 Examiner Hearing
 CASE NO. 13,497

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APPLICANT'S WITNESS:

<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 APPLICANT:

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

* * *

1 WHEREUPON, the following proceedings were had at
2 8:57 a.m.:

3 EXAMINER JONES: And let's call Case 13,497,
4 which is the Application of Samson Resources Company for
5 compulsory pooling, Eddy County, New Mexico.

6 Call for appearances?

7 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
8 representing the Applicant. I have one witnesses.

9 EXAMINER JONES: Any other appearances?

10 Will the witness please -- The witness is already
11 sworn.

12 MR. BRUCE: Yeah, if the record could reflect,
13 Mr. Examiner, the witness is Elizabeth Moses who was
14 previously sworn and qualified.

15 ELIZABETH E. MOSES,

16 the witness herein, having been previously duly sworn upon
17 her oath, was examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q. Ms. Moses, could you identify the Exhibit 1 and
21 just briefly state where the proposed well is located and
22 what you seek to pool?

23 A. The proposed well is located in the northeast
24 quarter of the southeast quarter of Section 17, 18 South,
25 30 East. We're proposing to pool the east half of said

1 Section 17 for a 320-acre spacing unit for the Strawn and
2 Morrow gas pools and -- That's it.

3 Q. And actually, you're seeking to pool from the
4 base of the Bone Spring to the base of the Morrow; is that
5 correct?

6 A. Yes, that's correct.

7 Q. Okay. On Exhibit 1 there's a well located. What
8 is that well?

9 A. That was the Sand Tank 17 Fed Com Number 1 well.

10 Q. Which was previously force-pooled, I believe, by
11 Samson Resources Company; is that correct?

12 A. Yes, it was.

13 Q. And that was a re-entry of an existing well?

14 A. Yes.

15 MR. BRUCE: Okay. And I believe that original
16 pooling order on that well, Mr. Examiner, was R-12,234.

17 EXAMINER JONES: Thank you.

18 Q. (By Mr. Bruce) And so the proposed well will be
19 the second well on the well unit?

20 A. Yes.

21 Q. Okay. Could you identify Exhibit 2 and describe
22 who you seek to pool in this case?

23 A. Exhibit 2 is a list of the leasehold owners who
24 are not committed to an operating agreement. There are six
25 of them, and they all -- all except for one wants to be

1 compulsory pooled, they want to be compulsory pooled. I
2 really tried to talk them out of it, but they want to be
3 compulsory pooled. And one of them this week said he would
4 be willing to sell his interest, but we weren't able to
5 consummate that before today.

6 Q. Okay. And these interests total what, about 5
7 percent of the well unit?

8 A. Probably about 7.

9 Q. About 7 percent of the well unit?

10 A. Yes.

11 Q. Could you identify Exhibit 3 and describe your
12 contacts with the interest owners?

13 A. Exhibit 3 are the well -- copies of the well
14 proposals that were submitted to each of these leasehold
15 owners, April 18th, 2005. And noted on in handwriting on
16 each one of those letters were my conversations with these
17 people this week, seeking to get their joinder to sign the
18 existing JOA covering the east half.

19 Q. And again, except for the one person who wants to
20 sell the interest, all of them have just refused to do
21 anything in this matter?

22 A. That's correct.

23 Q. Were there any unlocatable interest owners?

24 A. No, there were not.

25 Q. Okay. In your opinion, has Samson made a good

1 faith effort to obtain the voluntary joinder of all of the
2 uncommitted interest owners in this well unit?

3 A. Yes.

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

6 A. Exhibit 4 is the AFE for the Sand Tank Number 2
7 well with a completed well cost of \$2,654,161.

8 Q. And is this cost in line with the cost of other
9 wells drilled to this depth in this area of the state?

10 A. Yes, it is.

11 Q. Does Samson Resources Company request that it be
12 designated operator of the well?

13 A. Yes.

14 Q. And what overhead rates are requested?

15 A. \$650 a month drilling -- I mean producing, and
16 \$6500 a month drilling well rate.

17 Q. And are these rates comparable to the rates used
18 by Samson and other operators in this area for Morrow
19 wells?

20 A. Yes, it is.

21 Q. And were all of the interest owners notified of
22 the Application?

23 A. All of the interest owners that are not subject
24 to the JOA were notified. The interest owners subject to
25 the JOA will be notified to try to time it where their

1 election is due at the same time --

2 Q. Right.

3 A. -- the compulsory pooling hearing --

4 Q. And is the notice to the uncommitted interest
5 owners marked as Exhibit 5?

6 A. Yes.

7 MR. BRUCE: And Mr. Examiner, Exhibit 6 is an
8 affidavit of publication from the Carlsbad newspaper. We
9 filed this because when we force pooled the first time for
10 the first well in the well unit, there was one interest
11 owner, Wirtaine Sparks, who we couldn't get a response
12 from. So I just went ahead and published notices against
13 all of them this time.

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

17 A. Yes, they were.

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

21 A. Yes.

22 MR. BRUCE: Mr. Examiner, I'd move the admission
23 of Exhibits 1 through 6.

24 EXAMINER JONES: Exhibits 1 through 6 will be
25 admitted to evidence.

EXAMINATION

BY EXAMINER JONES:

Q. Ms. Moses, let me read back the COPAS again.
\$6500 and \$650; is that right?

A. Yes, yes.

Q. Okay. And it looks like there's two pools
involved, Undesignated Sand Tank-Morrow Gas and
Undesignated Sand Tank-Strawn Gas?

A. Yes.

Q. And no other pools that I can find, unless you
have been able to find some.

A. No.

Q. Okay. Number 1 -- Wait, the Number 2 well, it
hasn't been spud yet?

A. No.

Q. Okay. Is this another hurry-up order?

A. No, this isn't a hurry-up order.

Q. Okay.

A. This is regular time.

Q. Okay. What if Number 2 -- what if this well had
already been drilled and we were maybe a year later and
then you were pooling -- you were pooling someone that had
refused to sign all along and you hadn't gotten a pooling
order or an agreement, and you had to come to force pool?
Would you charge them the drilling well rate for the time

1 the well had been drilling a year ago, or would you just
2 try to start charging them the producing well rate?

3 A. I would charge them the drilling well rate,
4 because that --

5 Q. For the time that it was --

6 A. For the time that it was drilled, because that
7 expense was actually incurred to drill that well.

8 Q. Along with their costs -- their percentage of the
9 cost to drill?

10 A. Yes.

11 Q. Okay. Are you guys asking for a revision to
12 R-12,234, an amendment to it?

13 MR. BRUCE: Well, I don't know if -- I really
14 don't know if there should be an "A" order on that or if it
15 should be a new order, but I just wanted to let you know
16 that other one was out there.

17 EXAMINER JONES: Okay. And was there -- There
18 was an NSL approved for the Number 1 well a long time ago,
19 I guess?

20 MR. BRUCE: Mr. Examiner, actually, I think when
21 that well was drilled it was a -- I don't know if it was an
22 NSL or if it was a standard location way back then.

23 EXAMINER JONES: Okay.

24 MR. BRUCE: I think it -- I believe it was a
25 standard well location, and that well, I believe, was

1 originally drilled by EOG or Enron and then was re-entered
2 by Samson last year.

3 EXAMINER JONES: Okay. But it's producing right
4 now?

5 MR. BRUCE: I believe it is --

6 THE WITNESS: Yes, it is.

7 MR. BRUCE: -- is a Morrow producer.

8 THE WITNESS: A good well.

9 EXAMINER JONES: It's a good Morrow well, and you
10 want another one. Okay. Can you think of anything else in
11 this case?

12 THE WITNESS: No, sir.

13 EXAMINER JONES: I don't have any more questions.
14 Okay, with that we'll take Case 13,497 under
15 advisement.

16 THE WITNESS: Thank you.

17 EXAMINER JONES: Thank you.

18 (Thereupon, these proceedings were concluded at
19 9:07 a.m.)

20 * * *

21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
23 the Examiner hearing of Case No. _____,
24 heard by me on _____.

25 _____, Examiner
Oil Conservation Division

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 30th, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006