

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF CHI OPERATING, INC.
FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.

CASE NO. 15133

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 26, 2014

Santa Fe, New Mexico

BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Richard Ezeanyim,
Chief Examiner, on Thursday, June 26, 2014, at the
New Mexico Energy, Minerals and Natural Resources
Department, Wendell Chino Building, 1220 South St.
Francis Drive, Porter Hall, Room 102, Santa Fe,
New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

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1 APPEARANCES

2 FOR APPLICANT CHI OPERATING, INC.:

3 JAMES G. BRUCE, ESQ.
4 Post Office Box 1056
5 Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

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15 EXHIBITS OFFERED AND ADMITTED

16 Chi Operating, Inc. Exhibit Numbers 1 through 4	5
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1 (8:37 a.m.)

2 EXAMINER EZEANYIM: On page 2, at this time
3 I call Case 15133, and this is the application of Chi
4 Operating, Inc. for compulsory pooling, Eddy County,
5 New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of
8 Santa Fe representing the Applicant. I'm presenting the
9 case by affidavit.

10 EXAMINER EZEANYIM: Any other appearances?
11 You may proceed.

12 MR. BRUCE: Mr. Examiner, this case is
13 simply to force pool interest owners for purposes of
14 obtaining a communitization agreement from the BLM. The
15 well at issue is the Coal Train Fed Com Well No. 1,
16 located in the south half of Section 10, 17 South, 28
17 East. This well was drilled over 14 years ago. And at
18 the time the operator, Chi Operating, Inc., filed a
19 communitization agreement with the BLM, which the BLM
20 lost, and so we're just trying to reconstitute the comm
21 agreement. In this case there are two working interest
22 owners being pooled simply for purposes of the comm
23 agreement, plus some unlocatable record title owners.

24 Submitted as Exhibit 1 is the affidavit of
25 John Qualls, a landman for Chi Operating, setting forth

1 the basic information and the parties being pooled.
2 There are three record title owners: Bayshore
3 Production Company, Florida Exploration Company and
4 Union Texas Petroleum Corporation, all of which no
5 longer exist. They are bare record title owners in one
6 of the tracts within the well unit.

7 And they are also force pooling working
8 interest owners Kathryn Alexander and Marie Wade, who
9 have been contacted -- and the correspondence is
10 attached to Exhibit 1 -- requesting them to sign the
11 communitization agreement. They have failed to do so.
12 Because this is only for communitization agreement
13 purposes, we're not seeking overhead rates. We're not
14 seeking any penalty against nonconsenting interest
15 owners. This is simply to get a compulsory pooling
16 order so that the BLM will approve, after 14 years, the
17 communitization agreement.

18 All the correspondence with the parties, et
19 cetera, well plats, are contained in Exhibit 1.

20 Exhibit 2 is my Affidavit of Notice to the
21 two working interest owners, Kathryn Alexander and Marie
22 Wade. They did receive notice. They just have never
23 responded.

24 And Exhibits 3 and 4 are the Affidavits of
25 Publication against the defunct record title owners.

1 With that, I'd move the admission of
2 Exhibits 1 through 4 and ask that the application be
3 taken under advisement. And I have drafted a proposed
4 order, which I will submit to you after the hearing
5 today.

6 EXAMINER EZEANYIM: Exhibits 1 through 4
7 will be admitted.

8 (Chi Operating, Inc. Exhibit Numbers 1
9 through 4 were offered and admitted into
10 evidence.)

11 EXAMINER EZEANYIM: Counsel, do you mind if
12 I get some clarification?

13 MR. BRUCE: Sure.

14 EXAMINER EZEANYIM: The compulsory pooling
15 is being obtained because you want to do a
16 communitization agreement with the BLM?

17 MR. BRUCE: Yes.

18 EXAMINER EZEANYIM: Suppose I deny the
19 compulsory pooling order? What will happen with BLM?

20 MR. BRUCE: The BLM would not approve the
21 comm agreement. And the BLM has also told Chi
22 Operating, Inc. that if they do not submit an approved
23 communitization agreement, they won't approve any APDs
24 for Chi Operating.

25 EXAMINER EZEANYIM: Okay. The well was

1 drilled 14 years ago, correct?

2 MR. BRUCE: Correct.

3 EXAMINER EZEANYIM: That's a Morrow?

4 MR. BRUCE: It's a Morrow, yes. Sorry.
5 Vertical Morrow well.

6 EXAMINER EZEANYIM: And Chi was able to
7 obtain --

8 MR. BRUCE: Yes. You know, they have been
9 the operator since day one. They have all the
10 information ownership, and they did write -- actually,
11 they wrote to quite a few people. There are numerous
12 interest owners, but almost everyone signed the comm
13 agreement except for the nonexistent parties and these
14 two record title -- working interest owners.

15 EXAMINER EZEANYIM: Do you have an API
16 number for this well?

17 MR. BRUCE: Yes. It's 3001530764.

18 EXAMINER EZEANYIM: You are not seeking any
19 overhead rates and no penalties?

20 MR. BRUCE: No.

21 EXAMINER EZEANYIM: Why is that? You've
22 got some working interest owners.

23 MR. BRUCE: They have already agreed to the
24 rates.

25 EXAMINER EZEANYIM: What?

1 MR. BRUCE: They have already agreed to the
2 rates that are currently charged on the well.

3 EXAMINER EZEANYIM: But they don't want to
4 participate?

5 MR. BRUCE: Correct.

6 EXAMINER EZEANYIM: That's weird.

7 What is the status of the well right now?

8 MR. BRUCE: It's still producing. At this
9 point it's a, you know, fairly -- it's nearing the end
10 of its life, but it is still producing some gas.

11 EXAMINER EZEANYIM: And this is a federal
12 well?

13 MR. BRUCE: Correct.

14 EXAMINER EZEANYIM: Thank you very much.

15 At this point Case 15133 will be taken
16 under advisement.

17 (Case Number 15133 concludes, 8:43 a.m.)
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15133
heard by me on


Oil Conservation Division Examiner

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced to printed form by
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's
13 Record of the proceedings truly and accurately reflects
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither
16 employed by nor related to any of the parties or
17 attorneys in this case and that I have no interest in
18 the final disposition of this case.

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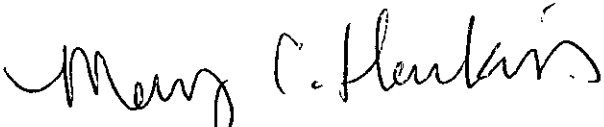
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MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters, Inc.
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2014