

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:

ORIGINAL

APPLICATION OF ANSCHUTZ OIL  
COMPANY, LLC FOR COMPULSORY  
POOLING AND AN UNORTHODOX  
OIL WELL LOCATION, RIO ARRIBA  
COUNTY, NEW MEXICO.

CASE NO. 15234

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 20, 2014

Santa Fe, New Mexico

BEFORE: WILLIAM ~~B.~~ JONES, CHIEF EXAMINER  
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, William B. Jones,  
Chief Examiner, and Gabriel Wade, Legal Examiner, on  
Thursday, November 20, 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  
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## APPEARANCES

FOR APPLICANT ANSCHUTZ OIL COMPANY, LLC:

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1 (9:27 a.m.)

2 EXAMINER JONES: Call Case 15234,  
3 application of Anschutz Oil Company, LLC for compulsory  
4 pooling and an unorthodox oil well location in Rio  
5 Arriba County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Jim Bruce of Santa Fe  
8 representing the Applicant.

9 Pursuant to the notice put out by the  
10 original, I'm submitting this by affidavit. However, if  
11 you have any questions on the land matters, I do have  
12 two landmen here.

13 EXAMINER JONES: Any other appearances in  
14 this case?

15 Can you talk about Anschutz Oil Company in  
16 New Mexico (laughter)? I know about them in Wyoming,  
17 but --

18 MR. BRUCE: And I can have one of the  
19 landmen maybe get up and talk a little bit about how  
20 they're new to the state and they haven't been  
21 frightened off yet.

22 EXAMINER JONES: Could we do that?

23 EXAMINER WADE: Yeah.

24 EXAMINER JONES: Would the landman you  
25 expect to testify please stand and be sworn by the court

1 reporter?

2 DEIDRE O'CALLAGHAN,  
3 after having been first duly sworn under oath, was  
4 questioned and testified as follows:

5 EXAMINER JONES: Go ahead.

6 DIRECT EXAMINATION

7 BY MR. BRUCE:

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

10 A. Deidre O'Callaghan, Denver, Colorado.

11 Q. And who do you work for and in what capacity?

12 A. I work for Anschutz Exploration Corporation as  
13 a senior landman, as you'll see from my card. I also  
14 work for Anschutz Oil Company, LLC, which is a different  
15 division of Anschutz Exploration Company.

16 Q. Since you're up here, let's qualify you.

17 A. Sure.

18 Q. Could you summarize your educational and  
19 employment background for the Examiners?

20 A. Yes. I have a degree in energy resources  
21 management from Lamar University in big Beaumont, Texas.  
22 I went to work for Amoco as a landman in 1980, worked as  
23 a landman and gas marketer for, I guess, about 11 years,  
24 and then went into a pipeline company as business  
25 development. I've worked in various energy positions

1 since then, most recently as a senior landman at Savant  
2 Resources in Denver and as a senior landman at Anschutz  
3 since 2010.

4 Q. And are you familiar with the geology involved  
5 in this application?

6 A. Mildly.

7 MR. BRUCE: We'll get to that in a minute,  
8 Mr. Examiner.

9 Mr. Examiner, I tender Ms. O'Callaghan as  
10 an expert petroleum landman.

11 EXAMINER JONES: She is so qualified.

12 MR. BRUCE: And if you'd like, I can turn  
13 it over to you to ask the questions you want to ask  
14 about Anschutz.

15 CROSS-EXAMINATION

16 BY EXAMINER JONES:

17 Q. We can't find -- is there a bond for Anschutz?

18 A. There is. It's -- so we have entered into an  
19 agreement with Hunt Oil Company, a drill-to-earn  
20 exploration agreement, which involves this acreage and  
21 other acreage. It was only signed fairly recently, and  
22 we have been, in the last three or four weeks,  
23 scrambling fairly energetically to get all the parts and  
24 pieces in place.

25 We've recently received a sundry for the

1 new location. We've recently received a sundry for a  
2 slightly modified drilling plan versus the original Hunt  
3 plan. We have a bond in place. Our regulatory manager,  
4 Randy Maxey I believe confirmed everything was done as  
5 of yesterday. We were having some difficulty with  
6 uploading information into the OCD site, and I believe  
7 he was visiting directly with -- Angela?

8 Q. Denise?

9 A. Denise? I don't know.

10 Q. Angela with the federal folks? The BLM?

11 CROSS-EXAMINATION

12 BY EXAMINER WADE:

13 Q. Is this federal land only?

14 A. No. It's fee and federal, and so we have both  
15 types of permits, fee and -- I'm sorry -- state and  
16 federal.

17 Anschutz Exploration Company has been  
18 bonded and has a nationwide bond with the -- for the BLM  
19 and a statewide bond with the state.

20 Anschutz Oil Company has a slightly  
21 different ownership than Anschutz Exploration. Anschutz  
22 Exploration is all Phil Anschutz. Anschutz Oil Company  
23 also involves his son-in-law, Chris Hunt, but it's  
24 basically the same company. But we do have paperwork in  
25 place now for both companies.

## REDIRECT EXAMINATION

1  
2 BY MR. BRUCE:

3 Q. Is that paperwork in place or being filed to  
4 name -- to ensure that Anschutz Oil Company is  
5 recognized by the OCD as an operator in this state?

6 A. Correct. Correct. If you don't have it, you  
7 will have it. If you don't have yesterday, you should  
8 have it today.

## RECROSS EXAMINATION

9  
10 BY EXAMINER JONES:

11 Q. And the well that's being permitted originally  
12 was permitted under Hunt Oil Company?

13 A. Yes, sir.

14 Q. But the well's been changed. That well is not  
15 going to be drilled, right? Is that correct?

16 A. We've changed the location of the well under a  
17 sundry and under -- my understanding is under a change  
18 of the location with the state government as well.

19 Q. So there's an application for a permit to drill  
20 at the new location; is that correct?

21 A. They did a modification of the existing  
22 location of the existing well.

23 Q. With a new API number? They're doing the whole  
24 thing?

25 A. I can't tell you that.

REDIRECT EXAMINATION

1  
2 BY MR. BRUCE:

3 Q. But because federal lands are involved, the  
4 initial -- the sundry, which the BLM agreed to accept,  
5 was done through them?

6 A. My understanding is it has been done at the  
7 state level as well.

8 RECROSS EXAMINATION

9 BY EXAMINER JONES:

10 Q. This drill-to-earn, does that mean Anschutz has  
11 the acreage, and Hunt is drilling to earn the acreage?

12 A. Vice versa.

13 Q. Vice versa?

14 A. Vice versa, yes, sir.

15 MR. BRUCE: And, Mr. Examiner, I'm going to  
16 ask a few more questions, but since we have the  
17 affidavit, if you can turn back to the attachment to  
18 Exhibit 1 and I can have Ms. O'Callaghan testify about a  
19 couple of items, starting with Attachment A.

20 EXAMINER WADE: This is going to be  
21 regarding the information that's in the affidavit, or is  
22 this --

23 MR. BRUCE: Yes.

24 EXAMINER WADE: Can we take about a  
25 five-minute recess?

1 EXAMINER JONES: Let's take a five-minute  
2 recess and be back -- we'll be back, definitely.

3 (Break taken, 9:35 a.m. to 9:41 a.m.)

4 EXAMINER JONES: Back on the record.

5 And, Mr. Bruce, what we want to do is  
6 continue the case until we see the OGRID and the bond  
7 and the -- basically, the evidence that Anschutz has an  
8 interest in the well. The interest in the well that --  
9 you're testifying that there is an agreement for the  
10 interest in the well, but we -- it's a federal well.  
11 It's going to take you a while to --

12 MR. BRUCE: Well, actually no, and I object  
13 to a continuance. I mean, Ms. O'Callaghan can testify  
14 that they own an interest in the well, so I'm not quite  
15 sure --

16 EXAMINER WADE: Well, what about the  
17 ability to operate in the state and under OCD rules?

18 MR. BRUCE: She can testify to that.

19 THE WITNESS: Right.

20 So my understanding was that AOC was going  
21 to be the operator because that's who originally put the  
22 agreement in with [sic].

23 AEC is now the operator. That change of  
24 operator has been accomplished -- my understanding is it  
25 will be uploaded -- it has been uploaded into the

1 system, but I don't know that you guys have it. I'm  
2 sorry. I wasn't all that prepared to talk about the  
3 permitting, but I did just talk to our permitting  
4 manager -- our regulatory manager. He said that AEC  
5 will be the operator. AEC has bonds in place with both  
6 the state and the Feds. We have -- the change of  
7 operator has been accomplished, and it's being put into  
8 the system. He thought it was put into the system  
9 yesterday, to AEC. I can provide you with copies of  
10 that before the end of the day.

11 We have a timing issue. We have -- we had  
12 a short time frame under the terms of our agreement with  
13 Hunt, and as you know, it can be difficult to obtain a  
14 rig in the San Juan Basin at the last minute. We had  
15 planned to drill the well probably by about  
16 mid-December. We have a rig that's available to us,  
17 that we are going to start putting standby time on, on  
18 November 26th. And that's next week.

19 Q. (BY EXAMINER JONES) Do you have an API number  
20 on the well?

21 A. We do. We do. I don't have it with me, but I  
22 can have it for you within the hour.

23 Q. I looked for it last night. It's not in our  
24 system, in the state's system.

25 A. Let me find out why. "No API number"

1 (writing).

2 MR. BRUCE: Mr. Examiner --

3 EXAMINER JONES: It is a federal well?

4 MR. BRUCE: Yes. It is a federal well.

5 And if it doesn't have an API number, I don't think an  
6 API number is necessary until the well is commenced.

7 EXAMINER JONES: But --

8 MR. BRUCE: And as a matter of fact, the  
9 Division, for instance, doesn't want you even filing --  
10 at least the state doesn't want you filing an APD if you  
11 don't own an interest in all of the lands in the well  
12 unit, as you well know.

13 EXAMINER JONES: That's true.

14 MR. BRUCE: So to go to hearing, you don't  
15 need an API number. You certainly need it to commence  
16 the well.

17 RECROSS-EXAMINATION

18 BY EXAMINER WADE:

19 Q. So just to clarify, the application is brought  
20 by Anschutz Oil Company. They do have an interest in  
21 the well?

22 A. Yes.

23 Q. But the operator of record will be transferred  
24 from AOC to AEC?

25 A. I believe it actually transferred directly from

1 HOC, Hunt Oil Company, to Anschutz Oil. And I believe  
2 that was because we already had the documentation in  
3 place with AEC.

4 As I said, it's one of those things where  
5 the company does different things in different entities  
6 because of ownership information -- different ownership  
7 between the different entities.

8 RECROSS EXAMINATION

9 BY EXAMINER JONES:

10 Q. The application is not asking for a nonstandard  
11 proration unit because you've already gotten that?

12 A. Correct.

13 MR. BRUCE: That is correct.

14 Q. (BY EXAMINER JONES) But you've gotten that one  
15 based on another -- a different well within this 960  
16 acres. It's totally a different well we're talking  
17 about here.

18 A. The change of location was accomplished by  
19 sundry as this well, and we did that with the BLM. So  
20 the well API number did not change. It was a change in  
21 location primarily for surface combination.

22 Q. Yeah. I'm not sure you can move an API number  
23 around once you've gotten it. They might have done  
24 that --

25 A. This was -- this was done at the instruction of

1 the BLM. This is how they asked us to do it.

2 Q. Yeah.

3 MR. BRUCE: And, Mr. Examiner, if I may,  
4 I'm handing out the NSP order -- application. And if  
5 you'll notice, the NSP, although there was a different  
6 well initially, you can see that the NSP projected four  
7 wells in the section. And as we go through  
8 Ms. O'Callaghan's exhibit -- or affidavit, you will see  
9 that those four wells are still -- they're still  
10 considering doing those four wells. And I think you  
11 have to look at the NSP separate from the NSL.

12 EXAMINER JONES: Yeah, I can do that.

13 Q. (BY EXAMINER JONES) The big deal is the OGRID  
14 and the -- we can't find the bond, and we looked right  
15 now. And the district office in Aztec assigns the API  
16 to -- the Feds ask them to assign an API while they're  
17 processing the application, and they haven't -- they  
18 haven't logged that in yet. The API that's out there is  
19 for the well to the south, and it's still the same API  
20 but still the same well.

21 A. This is in the same location?

22 Q. The Regina, down to the south. It's not --  
23 it's not the well that you're proposing here. So  
24 it's -- I'd kind of like to hear from the geologist,  
25 also, in this case.

1 A. She's available, too.

2 Q. Is he?

3 A. She is available to testify by telephone if you  
4 need to.

5 We -- we -- sorry to jump in, but we  
6 thought this was a hearing with respect to forced  
7 pooling. The nonstandard unit's already been approved.  
8 The nonstandard location has already been approved, and  
9 it's been sundry --

10 Q. Actually, the nonstandard location is not  
11 approved yet.

12 A. -- and has been sundry for a change in the  
13 location.

14 Q. You can't just do a sundry for a change of  
15 location.

16 MR. BRUCE: Well, it's what the BLM --

17 THE WITNESS: And what the -- and what the  
18 state office advised us to do as well. I mean, we've  
19 been working on this for probably four weeks, since we  
20 had the revised on-site, and we've been in deep  
21 conversation with people in the -- I believe the Aztec  
22 office.

23 EXAMINER JONES: Yeah.

24 THE WITNESS: But as far as that goes, I  
25 mean, I think that that's all going to be resolved

1 within -- if it's not resolved by now and maybe it just  
2 needs to be uploaded into your system or something, it  
3 should be resolved by tomorrow. Would it be possible  
4 for us to address what we've applied for and then know  
5 afterwards that --

6 EXAMINER WADE: It needs to be placed back  
7 into the record, so we're talking about a continuance  
8 anyhow, unless we happen to be here at the end of the  
9 day. So we need the information.

10 THE WITNESS: How about an hour?

11 EXAMINER WADE: That's possible.

12 THE WITNESS: Okay.

13 MR. BRUCE: Well, I'll tell you what, since  
14 there are other people waiting here, why don't we  
15 continue and let some of the other folks put cases on,  
16 and --

17 EXAMINER JONES: You don't want to do a  
18 two-week continuance?

19 MR. BRUCE: Like I said, my point is  
20 Apollo -- Apollo. That's another one of my clients.  
21 Anschutz Oil Company does own an interest, number one,  
22 and is entitled to move forward with compulsory pooling  
23 for this location, and we have asked for a nonstandard  
24 location in this application. And an API number isn't  
25 necessary to go to hearing.

1                   : EXAMINER JONES: But a bond and OGRID is  
2 what -- is the big thing, the bond and the OGRID.

3                   : MR. BRUCE: Again, that's necessary to  
4 drill.

5                   : EXAMINER JONES: Well, it's -- go ahead.

6                   : EXAMINER WADE: Give an hour to see what  
7 information you can come up with --

8                   : THE WITNESS: Sure.

9                   : EXAMINER WADE: -- and we can have a brief  
10 discussion before we go back on the record in this case  
11 between the Hearing Examiners as to -- maybe you can  
12 even speak to that when we go back on the record, as to  
13 the ability of an interest owner to compulsory pool  
14 without having an OGRID in place and a bond.

15                   : MR. BRUCE: Well, the Division regulations  
16 say that either an interest owner or an operator can  
17 file a pooling application.

18                   : EXAMINER WADE: Correct.

19                   : MR. BRUCE: And the interest owner need not  
20 have -- need not be an operator. It's like one of my  
21 clients. Chi Energy is an interest owner. Chi  
22 Operating is the -- their operating arm. There is no  
23 OGRID number for Chi Energy. And that happens all the  
24 time. It happens with Nearburg Exploration and Nearburg  
25 Producing Company, things like that. I don't think an

1 interest owner needs to have a bond in place to file a  
2 pooling application so long as the operator has a bond  
3 in place and is recognized by the Division as an  
4 operator.

5 EXAMINER WADE: In this case then, the  
6 interest owner, which, again, is Anschutz Oil Company --

7 MR. BRUCE: Correct.

8 EXAMINER WADE: -- would obviously have  
9 some form of agreement with the operator, which is  
10 Anschutz, essentially as well.

11 THE WITNESS: We could certainly put one,  
12 place. I mean, it's -- it's something that's done in  
13 other states all the time. We go back and forth between  
14 who operates and who is the ownership.

15 EXAMINER WADE: But at this time, you don't  
16 have an agreement -- I'd like that -- between the  
17 interest owner and the operator. In other words, how do  
18 we tie the interest owner to --

19 THE WITNESS: You know, I don't know that.  
20 There may be something in the corporate records that I'm  
21 not aware of which covers that in all cases, and I can  
22 find that out shortly.

23 MR. BRUCE: I was just informed that  
24 Anschutz Energy --

25 THE WITNESS: Anschutz Exploration.

1                   MR. BRUCE:  -- Anschutz Exploration or  
2   Corporation's OGRID number is 146906.

3                   EXAMINER WADE:  Anschutz --

4                   THE WITNESS:  Exploration.

5                   MR. BRUCE:  Exploration.

6                   EXAMINER WADE:  Would be the operator?

7                   THE WITNESS:  Correct.

8                   MR. BRUCE:  146906.

9                   EXAMINER JONES:  That's the New Mexico  
10   OGRID?

11                  THE WITNESS:  Yes, sir.

12                  EXAMINER JONES:  Do you have something in  
13   the -- do you have something in the record that shows  
14   that Anschutz Oil Company and Hunt have an agreement?

15                  MR. BRUCE:  Mr. Examiner, we could probably  
16   provide that, but the testimony of the witness, I  
17   believe, is sufficient.  I mean, it's like any other --  
18   I mean, in my prior case, I didn't ask for evidence if  
19   HEYCO owned an interest in the well.  I mean, are you  
20   going to start asking for title documents for applicants  
21   before the Division?  Are they going to have to submit a  
22   title opinion to show they own an interest?

23                  THE WITNESS:  And we don't have a title  
24   opinion that shows we have an interest.  We have an  
25   exploration agreement that was executed that I can

1 provide you with a scanned copy of. It's not something  
2 we intend to record because it's a drill-to-earn. We  
3 intend to record when we've earned, and we'll record the  
4 assignment of the interest as we earn the interest under  
5 the agreement.

6 EXAMINER JONES: Then why didn't Hunt bring  
7 the case?

8 THE WITNESS: Because Anschutz is going to  
9 operate it.

10 EXAMINER JONES: They're going to be the  
11 operator of record of the well?

12 THE WITNESS: Anschutz is.

13 EXAMINER JONES: Of the new well?

14 THE WITNESS: Yes, sir.

15 The Hunt landman offered to come, but I  
16 didn't have any reason to expect he would need to be  
17 here.

18 MR. BRUCE: Yeah. No. The operator --  
19 yeah. The APD was originally filed by Hunt --

20 EXAMINER JONES: By Hunt.

21 MR. BRUCE: -- and change-of-operator forms  
22 are or have been filed.

23 THE WITNESS: They've been filed. I know  
24 they've been filed because I've seen them. I actually  
25 have copies of the federals. I don't think I have a

1 copy of the state ones with me.

2 EXAMINER JONES: Your deal is with the  
3 Feds?

4 THE WITNESS: Right.

5 MR. BRUCE: And then they would copy the  
6 state.

7 EXAMINER JONES: Yes. But they can't put  
8 them in until they get an API number. That's why we  
9 didn't see it.

10 THE WITNESS: That could be. And if I can  
11 have a little time to speak with my regulatory manager  
12 and make sure that I have copies of anything we need to  
13 review, I can get that done.

14 EXAMINER JONES: Yeah. Let's continue this  
15 case to the end of the hearings, and we'll pull it at  
16 the end of these hearings.

17 MR. BRUCE: Okay. That's fine.

18 (Case Number 15234 recessed, 9:55 a.m. to  
19 11:42 a.m.)

20 EXAMINER JONES: Let's recall Case 15234  
21 and wait until everyone gets seated and go back on the  
22 record.

23 Let's continue hearing this case. And we  
24 can talk about the issues at the end, or we can go ahead  
25 and present the case or --

1 MR. BRUCE: Well, I think --

2 EXAMINER JONES: I'll turn it over to Gabe  
3 here.

4 MR. BRUCE: I mean, we have some info, and  
5 we can certainly put that up front to make you guys feel  
6 more comfortable.

7 EXAMINER WADE: That would work.

8 EXAMINER JONES: Yeah, let's do that.

9 DEIDRE O'CALLAGHAN,  
10 after having been previously sworn under oath, was  
11 questioned and testified as follows:

12 REDIRECT EXAMINATION

13 BY MR. BRUCE:

14 Q. First of all, Ms. Callaghan, does Anschutz  
15 Exploration Corporation have an OGRID -- or have a bond  
16 in place?

17 A. Yes.

18 Q. With the Oil Conservation Division?

19 A. Yes.

20 Q. Do you have that bond number?

21 A. 146906.

22 Q. So I was wrong. I gave a different --

23 EXAMINER JONES: That's the OGRID, then.

24 THE WITNESS: That's the OGRID.

25 EXAMINER JONES: This is a federal well, so

1 you have a federal bond, correct?

2 THE WITNESS: Right. We have a nationwide  
3 bond.

4 EXAMINER JONES: You have a federal  
5 nationwide bond?

6 THE WITNESS: Correct. We operate in lots  
7 of different states.

8 Q. (BY MR. BRUCE) And do you have -- is there an  
9 API number to the well?

10 A. There is. My understanding is the API number  
11 is 30-039-31203.

12 RECROSS EXAMINATION

13 BY EXAMINER JONES:

14 Q. 31 --

15 A. 203.

16 Q. And what's the well name?

17 A. The well name is -- get ready -- Regina Com  
18 25-2-14-15. That's not our name in convention, but we  
19 kept Hunt's.

20 Q. And Well Number 1H?

21 A. Well Number 1H.

22 Q. They seem to all be 1H.

23 So you're going to move the well that was  
24 already permitted --

25 A. Yes, sir.

1 Q. -- before it's been spud?

2 A. Yes, sir.

3 MR. BRUCE: And, Mr. Examiner, if you would  
4 like, I only have one copy, but --

5 EXAMINER JONES: I think we've got the  
6 C-102.

7 Q. (BY EXAMINER JONES) But the surface location I  
8 saw was a little bit different from what --

9 A. 1,070 feet?

10 Q. Some of the advertisements were from like 1,000  
11 feet from the north line, and then I saw some that said  
12 830.

13 A. Right. The surface-hole location is 1,070 feet  
14 from the north line of Section 14. The landing point in  
15 the horizon -- in the target horizon is 830 feet from  
16 the north line of Section 14. Potentially, this  
17 location may be used for a second well to be drilled  
18 down in the south.

19 Q. Okay. So you're -- you're spudding, and you're  
20 going to go out and then over --

21 A. Yes. Yes.

22 Q. -- to the west?

23 A. Right.

24 And just to give you a little bit of  
25 background, we're moving the location at, first of all,

1 the request of the surface owner. Apparently when they  
2 first did the agreement with Hunt, they had expressed  
3 some concern about the use -- the amount of use of the  
4 surface. And so when we looked at it, we agreed that  
5 there was potentially a better location than what Hunt  
6 had selected, not to mention the fact that the Hunt  
7 location was on top of a huge limestone knob. So it was  
8 going to have to be blasted off to be built.

9 So the location was moved primarily at the  
10 request of the surface owner but also in conjunction --  
11 with consultation with the BLM on the surface issues.

12 Q. Okay. But that's a federal surface owner?

13 A. It's not a federal surface owner.

14 Q. Okay.

15 A. Because there are federal tracts in the unit,  
16 we still had to do an on-site and have federal approval  
17 of the location.

18 MR. BRUCE: And, Mr. Examiner, if you could  
19 refer to her affidavit, and if you refer back a few  
20 pages to Attachment B, as in boy, she could -- I think  
21 she could point out, with Attachment B and the first  
22 page of Attachment C, the differences in surface --  
23 surface use and why this was done.

24 You can see that there is quite a bit of  
25 new road, and obviously there will be pipeline built.

1 By looking at Attachment B and Attachment B1 and if you  
2 go to Attachment C, you can see much less surface  
3 disturbance, a shorter -- a shorter road to build, don't  
4 have to deal -- there is a lot of relief out there. I  
5 think on your copy, Mr. Examiner, I enclosed the color  
6 topo map so you could see it a little better.

7 EXAMINER JONES: Thank you. I'm blind  
8 nowadays.

9 THE WITNESS: Get out the magnifying glass.

10 RECROSS EXAMINATION

11 BY EXAMINER WADE:

12 Q. Can you speak to the status of the change of  
13 ownership from Hunt to -- I always get the two mixed up.

14 A. Anschutz.

15 Q. -- Anschutz Operating?

16 A. Operating. Okay. So -- no. It's Anschutz Oil  
17 Company. You're confusing me, too. AEC and AOC.

18 Q. AOC.

19 A. Right.

20 So AEC is operating on behalf of AOC, just  
21 to keep it straight. AOC entered into an agreement with  
22 Hunt, an exploration agreement, and we had e-mailed it  
23 to Mr. Goetze, because if we needed something printed,  
24 we could have it printed right here and because I didn't  
25 have a copy of it with me. I had like that much paper

1 (indicating). I only brought this much paper  
2 (indicating) with me. So --

3 MR. BRUCE: Mr. Examiner, we would ask that  
4 it not be made part of the record because it's a  
5 confidential agreement, but it is in the possession of  
6 the Division at this point.

7 RECROSS EXAMINATION

8 BY EXAMINER JONES:

9 Q. Can you go back to the drill-to-earn? That  
10 means Hunt has the leases?

11 A. Hunt has a variety of leases that came from a  
12 variety of sources. One of which is driving our timing  
13 is a term assignment from McElvain -- to McElvain -- and  
14 I always mix up the names. But in any case, the leases  
15 that are in this spacing unit came from McElvain  
16 primarily, and so we have a deadline to drill under that  
17 term assignment.

18 Hunt drilled a previous well and decided  
19 they weren't going to proceed, but they wanted to see  
20 how the area tested. So we have an exploration  
21 agreement from Hunt which provides that if we drill this  
22 well, we will earn this spacing unit and some additional  
23 acreage in the area. And then we have the right to  
24 drill additional wells under the term assignment.

25

REDIRECT EXAMINATION

BY MR. BRUCE:

Q. So it is a contractual interest rather than --

A. It's a contractual interest.

Q. -- working interest that is --

A. Correct.

Q. And, Ms. O'Callaghan, is that any different than a farm-out agreement --

A. No.

Q. -- where you drill to earn?

A. No, no different. Just I got to name it because I wrote it.

RECROSS EXAMINATION

BY EXAMINER JONES:

Q. So the wells have to -- you have to spend the money to drill -- you guys are spending the money?

A. Correct.

Q. You spent 100 percent of the money?

A. Correct, with respect to --

Q. Set up Hunt --

A. Between Hunt, yes. Correct.

Q. But there are other interests you want to pool?

A. Correct.

Q. Okay. And then if it works out or you drill so many wells and they turn out, then you'll -- you guys

1 will earn the interests?

2 A. With the drilling of the first well, we  
3 actually earn the interest in the first spacing unit and  
4 some additional surrounding acreage. So we would  
5 actually get a recordable assignment of the interest  
6 from Hunt at that time. We are carrying Hunt in this  
7 well.

8 Q. Yeah.

9 A. And they will have an interest after we reach  
10 the completion point.

11 And just to point out, there were  
12 originally 37 other working interest owners in the  
13 spacing unit, so there are quite a number of agreements  
14 that were in place that Hunt did and that we are  
15 finishing up now with all those parties. The only  
16 parties who had not signed on the dotted line for either  
17 a JOA or a farm-out agreement or a term assignment are  
18 the parties that we noticed here.

19 Q. So there are unsigned -- is there any unleased  
20 acreage out here?

21 A. There are two parties who own unleased  
22 interest. One is Hunt Walker, which is Pikes Peak, LLC.  
23 The other one is Jim Fullerton. He is Prima, although  
24 on this one, it's Riva. He has two different entities.  
25 I didn't know which was which. So they've agreed to

1 lease. I don't have a signed lease yet, but they've  
2 agreed to lease. So we still have to include them in  
3 the forced pooling because we don't have signed  
4 documentation of that.

5 RE CROSS EXAMINATION

6 BY EXAMINER WADE:

7 Q. Just so I'm clear, the basis of the interest  
8 ownership is this -- what was the name?

9 A. An exploration agreement.

10 Q. An exploration agreement.

11 A. Uh-huh.

12 Q. What document -- was it a change of ownership  
13 that you were required to file with the OCD that you  
14 have not received?

15 A. Change of operator.

16 Q. It was just a change of operator?

17 A. Yes.

18 Q. And you have not received that?

19 A. We have received it.

20 Q. Do you have documentation?

21 A. Phillip found the -- and actually --

22 THE WITNESS: What was Scott's last name?

23 MR. BRUCE: Dawson.

24 THE WITNESS: Scott and Phillip helped us  
25 locate that. I think what the issue was is that it

1 takes two hours to upload to your system, because it was  
2 filed yesterday with all the proper signatures. They  
3 have it upstairs.

4 EXAMINER WADE: Okay. Can we hear the rest  
5 of the case that you want to discuss, and we can verify  
6 what information you have?

7 MR. BRUCE: And since Ms. O'Callaghan is up  
8 there, I'll first run through the affidavits briefly.

9 REDIRECT EXAMINATION

10 BY MR. BRUCE:

11 Q. Maybe just start with the attachments we've  
12 already gone through, A, B and C. Go to Attachment B.  
13 Are those the working interest owners that you seek to  
14 pool into this well unit?

15 A. Correct. Two being unleased mineral owners.

16 Q. Being?

17 A. Pikes Peak and Riva.

18 Q. Pikes Peak and Riva.

19 And the others are leasehold interest  
20 owners?

21 A. Correct.

22 Q. And when you get to Attachment E, you have a  
23 proposal letter -- proposal letters that you sent to  
24 these interest owners, but have they been aware of the  
25 development of this acreage for quite some time?

1           A.    Yes.  We have copies of correspondence that  
2   Hunt had both e-mailed and written letters, that type of  
3   thing, where they had been in contact with all the  
4   parties out here and their initial response when they  
5   made a proposal in the fall of 2013.  And so we had --  
6   with this remaining handful, we had a list from Hunt  
7   saying, This guy said yeah, they thought they would  
8   participate; this one wasn't sure; these people said  
9   they would farm out.  So that's what we started working  
10  from about a month ago.

11          Q.    And on Attachment E, do you anticipate a number  
12  of these parties either voluntarily joining in the well  
13  or leasing, as Pikes Peak or Riva, or farming out to  
14  you?

15          A.    I do.  We have an election that came in  
16  yesterday from Williams.  They elected to participate.  
17  KAB has elected to participate.

18                               RE CROSS EXAMINATION

19  BY EXAMINER JONES:

20          Q.    By Williams, you mean WPX?

21          A.    WPX.  Yup.  "Of record" it's Williams  
22  Production Company.

23          Q.    Is it?

24          A.    So that's why we did it that way, but it is  
25  WPX.  Yeah.

1                   Ibex and Brazos have elected to  
2 participate, and actually I have a assigned Joint  
3 Operating Agreement from them, which I received Friday  
4 of last week. Samson has agreed to farm out, and the  
5 final farm-out agreement is in their legal department  
6 for final approval. Chevron is my only I-don't-know.  
7 They've had a proposal. It's a pretty big company to  
8 run a proposal through, so I didn't expect a quick  
9 answer from them.

10                   REDIRECT EXAMINATION

11 BY MR. BRUCE:

12           Q.   And as people sign on the dotted line, will we  
13 notify the Division so they are not subject to a pooling  
14 order?

15           A.   (Indicating.)

16           Q.   You have to say yes for the record.

17           A.   Yes.

18           Q.   In your opinion, combined with a year's worth  
19 of work from Hunt Oil on this well, has Anschutz made a  
20 good-faith effort to obtain the voluntary joinder of the  
21 interest owners of the well?

22           A.   Yes.

23           Q.   We have another affidavit from another landman  
24 dealing with royalty owners, and let's get that out  
25 front. There are several royalty owners being pooled,

1 and could you just basically explain the reason for  
2 that?

3 A. My understanding is that we were able to locate  
4 many of the royalty owners to get an amendment to the  
5 leases, which provides for the larger pool. A number of  
6 them we were either unable to reach or would not execute  
7 an amendment without being paid for it.

8 MR. BRUCE: And, Mr. Examiner, a lot of the  
9 leases out here are --

10 THE WITNESS: 1940s.

11 MR. BRUCE: -- 65 years old, and either  
12 they have different pooling -- I have a copy of one that  
13 actually has dates from '59, but --

14 EXAMINER JONES: Can you explain those  
15 pooling clauses -- the lease pooling clauses that the  
16 lessee signs? I mean --

17 THE WITNESS: The amendments?

18 EXAMINER JONES: Well, just the general  
19 concept of a pooling clause.

20 THE WITNESS: Oh, okay.

21 MR. BRUCE: Well, Mr. Examiner, which we'll  
22 point out with the next affidavit, even though a lease  
23 has no pooling clause, you can still force pool them  
24 into the well.

25 EXAMINER JONES: That was going to be my

1 next question.

2 MR. BRUCE: But the reason they spent the  
3 time and effort to get these amendments is -- I will  
4 give you just -- just for example purposes, one of the  
5 old leases -- and you'll see part of the lands in the  
6 unit -- in this well unit which I've just circled. But  
7 you can see that this particular lease covers 1,600  
8 acres of land, and there are a bunch of leases out there  
9 that cover hundreds and hundreds and hundreds of acres.  
10 So getting a lease amendment means we don't have to deal  
11 with them in the future --

12 EXAMINER JONES: Right.

13 MR. BRUCE: -- when we're dealing other  
14 acreage. So it's a time-saver in the long run.

15 EXAMINER JONES: In the long run, but it's  
16 harder in the short one.

17 THE WITNESS: We couldn't get them all.

18 Q. (BY MR. BRUCE) Let's discuss a couple of other  
19 things. What -- and you request that Anschutz  
20 Exploration Corporation operate the well?

21 A. Yes.

22 Q. And one thing I think the Hearing Examiner  
23 would ask you regardless is what overhead rates do you  
24 request, and what are they based on?

25 A. The overhead rates are 10,5.

1 Q. For a drilling well?

2 A. For a drilling well.

3 I'd have to -- I'd have to confirm, but I  
4 think the other one is 1,100 [sic]. Is it in there?  
5 Okay. Good. 10,5 and 1,500.

6 EXAMINER WADE: Did we confirm -- you asked  
7 if Anschutz Operating Company is going --

8 THE WITNESS: Anschutz Exploration.

9 EXAMINER WADE: Is going to operate it?

10 THE WITNESS: Correct.

11 Q. (BY MR. BRUCE) And Anschutz Oil Company owns  
12 the interest?

13 A. Owns full interest.

14 EXAMINER JONES: But Anschutz Exploration  
15 is the one that has -- is going to pay for the well?

16 MR. BRUCE: No, no, no.

17 THE WITNESS: Anschutz Oil is going to pay  
18 for the well. Anschutz Exploration is going to be the  
19 operator.

20 EXAMINER JONES: Okay. Okay. Yeah.  
21 Anschutz Exploration is the one with the OGRID, 146906.

22 THE WITNESS: Gotcha.

23 Q. (BY MR. BRUCE) And as we discussed,  
24 Ms. O'Callaghan, these are higher rates than are  
25 sometimes seen before the Hearing Examiners. Have you

1    been assessed these operating rates in the San Juan or  
2    the Rocky Mountains area?

3           A.    In the Rocky Mountains area, yes.  We've not  
4    operated in the San Juan Basin, as you know, for quite a  
5    few years.  This is our understanding of the types of  
6    rates that are being charged in the San Juan Basin by  
7    the major operators like Williams, or WPX, Encana and  
8    others.  And we negotiated these rates with Hunt in our  
9    operating agreement, which is a part of the exploration  
10   agreement actually.  These are slightly lower than what  
11   we have in terms of our other Rockies area overhead  
12   rates.

13                   EXAMINER JONES:  So you're going to pay  
14   Hunt an overhead rate of 10,5, also?  I mean, you're  
15   going to --

16                   THE WITNESS:  We would.  If they operated,  
17   we would.  Sure.  Yeah.

18           Q.    (BY MR. BRUCE) And do you believe these  
19   rates -- based on your knowledge of what's done in the  
20   San Juan Basin and in the Rocky Mountains, do you  
21   believe these rates are fair and reasonable?

22           A.    I do.

23           Q.    And just going to attachment F, could you  
24   briefly discuss the cost of the initial well in this  
25   well unit?

1           A.    Well, I'll give you a caveat that I don't like  
2   this form.  We're working on changing the form at  
3   Anschutz.

4                   The 8H well cost is 9.999 million.  This  
5   well cost on page -- on the first page of Attachment  
6   F -- it looks like this (indicating).  Sorry.  We should  
7   have put some tags on it.  I had to put stickies on  
8   mine.

9           Q.    And based on what you've seen in this area, are  
10   these rates fair and reasonable for, in essence, a  
11   mile-and-a-half lateral?

12          A.    Yes.

13          Q.    One other question.  Ah, here it is.

14                   MR. BRUCE:  Mr. Examiner, the final  
15   attachment, Attachment G, is simply the offset operators  
16   for purposes of notice of the unorthodox location of  
17   this well.

18                   EXAMINER JONES:  Okay.  Where is that at?

19                   THE WITNESS:  It's G.

20                   MR. BRUCE:  The final page of Exhibit 1.

21                   EXAMINER JONES:  Okay.  Here it is.

22                   EXAMINER WADE:  If I understand correctly,  
23   you asked a question previously regarding notifying the  
24   OCD as to whether parties that are now being asked to  
25   compulsory pool come to some kind of agreement; is that

1 correct?

2 MR. BRUCE: That's correct, so that they  
3 won't be subject to any pooling order.

4 EXAMINER WADE: Well, this came up in an  
5 earlier case, so I guess I'll ask Mr. Bruce. Don't you  
6 think that you would want to amend -- apply to amend the  
7 compulsory pooling order rather than notifying them?

8 MR. BRUCE: No. No.

9 EXAMINER WADE: It seems to me that you  
10 have an OCD order floating out there with parties that  
11 are compulsory pooled --

12 MR. BRUCE: Uh-huh.

13 EXAMINER WADE: -- and maybe we got  
14 notification, but how does that get into the order?

15 MR. BRUCE: It doesn't get into the order,  
16 but it is placed in the well file --

17 EXAMINER JONES: In the case file.

18 MR. BRUCE: -- in the case file whether the  
19 operator itself or I will send a notice saying:  
20 Williams Production Company has joined a JOA; therefore,  
21 they're not subject to the order. So it would be in the  
22 case file and publicly.

23 EXAMINER JONES: We scan them in the case  
24 file.

25 MR. BRUCE: So that's been the SOP over the

1 last number of years.

2 EXAMINER WADE: I see Ms. Munds-Dry shaking  
3 her head yes as well.

4 It just seems to be it would be more  
5 protective of future operators to have it in the order,  
6 but --

7 MR. BRUCE: Well -- but, you know --

8 MS. MUNDS-DRY: There is always a provision  
9 in the order that says you will notify the OCD of the  
10 parties that need to be dismissed. So as Mr. Bruce  
11 said, that's --

12 MR. BRUCE: It's a lot easier just to put  
13 it in the case file. And it might have been difficult  
14 at one point, but you can access the Division's records  
15 24 hours a day now, so I don't -- besides, I don't think  
16 the operators want to hire me to do subsequent forced  
17 poolings, several of them on the same well maybe twice.

18 THE WITNESS: That's crazy talk, Jim.

19 MR. BRUCE: And, you know, that is one  
20 thing I heard -- Mr. Jones, was it?

21 EXAMINER JONES: It is. It is (laughter).

22 MR. BRUCE: You know, there have been  
23 instances where the names of the people being pooled  
24 have been put in the order.

25 EXAMINER JONES: Sometimes. I was told by

1 a previous Legal Hearing Examiner here --

2 MR. BRUCE: Not to do it?

3 EXAMINER JONES: Yeah.

4 MR. BRUCE: When it was done, it was often  
5 helpful, but it's now -- as Ms. Munds-Dry said, there  
6 is -- you know, one of the final orders -- final  
7 paragraphs of the order says that the parties shall  
8 notify the Division of subsequently joining parties, so  
9 that's what we've been doing.

10 EXAMINER WADE: I suppose if an issue comes  
11 up in the future, the parties can deal with it at that  
12 point.

13 MR. BRUCE: Yeah. And I haven't seen that  
14 happen.

15 RECROSS EXAMINATION

16 BY EXAMINER JONES:

17 Q. Were there people that -- I guess I'm asking a  
18 question that's already been answered, but I'm getting  
19 old here so -- haven't been notified -- haven't been  
20 found? People that you haven't located that you can  
21 locate?

22 A. With respect to royalty owners, yes.

23 Q. Okay. Unsigned royalty owners.

24 A. They are subject to a lease, but they are  
25 unlocatable.

1 Q. Oh, they're subject to a lease that doesn't  
2 have a pooling clause --

3 A. They're subject to a lease that either has a  
4 different pooling clause or has no pooling clause, and  
5 there were a variety of reasons. It had a smaller  
6 pooling clause or for whatever reason. There are some  
7 parties who -- if you contact operators, they're in  
8 suspense on their records because they can't find them,  
9 so yeah.

10 Q. I was just leading up to the business about  
11 putting money in escrow in the bank in the county's --

12 MR. BRUCE: And that has changed,  
13 Mr. Examiner.

14 EXAMINER JONES: It has changed? I guess  
15 I've been gone too long. Is there a new ruling on that?

16 MR. BRUCE: They have starting putting in  
17 the order that the operator shall comply with the  
18 state's -- what is it called?

19 MS. MUNDS-DRY: The Unclaimed Property Act.

20 EXAMINER JONES: Oh. So New Mexico has an  
21 act that covers that?

22 MR. BRUCE: It has. But the odd thing  
23 about that act -- I know from experience -- is it has  
24 rarely been -- it's difficult for the state to get other  
25 people's money in that instance, I mean, as opposed to

1 your paycheck.

2 EXAMINER JONES: Yeah.

3 MR. BRUCE: And there are a bunch of  
4 procedures for the Unclaimed Property Act, but that's  
5 what the Division is putting in the order.

6 REDIRECT EXAMINATION

7 BY MR. BRUCE:

8 Q. Ms. O'Callaghan, were Attachments A through G  
9 on your affidavit either, you know, prepared or compiled  
10 under your supervision?

11 A. They were.

12 Q. In your opinion, is the granting of this  
13 application in the interest of conservation and the  
14 prevention of waste?

15 A. It is.

16 MR. BRUCE: With that, I'd move the  
17 admission of Exhibit 1, Mr. Examiner.

18 EXAMINER JONES: Exhibit 1, with all  
19 attachments, will be admitted.

20 (Anschutz Oil Company Exhibit Number 1 was  
21 offered and admitted into evidence.)

22 MR. BRUCE: Regarding notice of the working  
23 interest owners, Mr. Examiner, Exhibit 4 is my Affidavit  
24 of Notice to the working interest owners being pooled.

25 EXAMINER JONES: Do you move for admission?

1 MR. BRUCE: I move for one question of  
2 Ms. O'Callaghan.

3 Q. (BY MR. BRUCE) Again, I think I asked this.  
4 Jim Fullerton, we did not get the green card back from  
5 him, but did you confirm that he is aware of this?

6 A. Yes.

7 Q. And that is the proper address for him on this  
8 form?

9 A. It is. That's what I was given.

10 Q. And you hope to obtain a lease on --

11 A. Yes. He and Hunt have both agreed to lease.  
12 We're working on the final form.

13 MR. BRUCE: So I'd move the admission of  
14 Exhibit 4, Mr. Examiner.

15 EXAMINER JONES: Exhibit 4 is admitted.

16 (Anschutz Oil Company Exhibit Number 4 was  
17 offered and admitted into evidence.)

18 EXAMINER JONES: And Exhibit 2 --

19 MR. BRUCE: This is the affidavit of John  
20 Michael Richardson, who is here. And the main thing  
21 there is this has to do with the royalty owners. And  
22 even with the small amount of information we've put into  
23 Attachment B to Exhibit 2, this land was -- way back  
24 when it was divided up in the late '40s, some of these  
25 leases -- the lease was executed by the sole landowner

1 who then proceeded to deed out dozens and dozens of  
2 interests.

3           And as you can see from Attachment A, which  
4 is one of the amendments for oil and gas leases, they  
5 cover a bunch of leases for a lot of acreage. And what  
6 they basically do is grant the operator -- amend the  
7 leases to provide for voluntary pooling of up to 1,280  
8 acres, or two sections of land, depending how wells are  
9 drilled. But as I said, a lot of these acres cover  
10 1,600 acres or hundreds of acres or thousands of acres,  
11 and so in the future, those parties will just be subject  
12 to voluntary pooling.

13           And Attachment B is a list of the parties.  
14 The west half of Section 14 is fee land.

15           And Attachment C is regarding the west half  
16 of Section 15. Those are both fee tracts. The middle  
17 320 acres is federal, but you can see how many royalty  
18 owners there are. And they have obtained really about,  
19 you know -- I didn't count, but 85 or 90 percent of the  
20 royalty owners have executed amendments. And those who  
21 couldn't get from -- get them from, notice was published  
22 in the "Rio Grande Sun," and that is Exhibit 5, the  
23 Affidavit of Publication. And because there were so  
24 many interest owners -- as the landman stated, obviously  
25 she checked the county records, telephone records,

1 Internet records. And I would say the vast majority of  
2 these people live out of state, so it's not a fun deal.

3 But I would move the admission of Exhibits  
4 2 and 5, also.

5 And then finally Exhibit 6 is just the  
6 notice to the offsets with respect to the unorthodox  
7 location.

8 EXAMINER JONES: So that included the  
9 offsets in Section 16 and also in Section 14; is that  
10 correct?

11 THE WITNESS: Yes.

12 MR. BRUCE: Section 16 to the west, the  
13 east half of Section 14, plus up in Section 9 to the  
14 northwest and in Section 11 to the northwest.

15 EXAMINER JONES: You did both 9 and 11?

16 MR. BRUCE: Yeah. Correct.

17 EXAMINER JONES: Well, that was Exhibits 2,  
18 5 and 6, I believe. Those are admitted, 2, 5 and 6.

19 (Anschutz Oil Company Exhibit Numbers 2, 5  
20 and 6 were offered and admitted into  
21 evidence.)

22 EXAMINER JONES: There is an Exhibit 3  
23 here.

24 MR. BRUCE: That's the geologist's  
25 affidavit. We didn't do the normal type thing because

1 the nonstandard unit had already been approved.

2 EXAMINER JONES: Okay.

3 MR. BRUCE: But she does testify in the  
4 exhibit that, you know, this -- a lot of the reason for  
5 drilling this well is based on the Elk Com 34 1H well,  
6 which was the subject of a compulsory pooling case,  
7 14924, in front of the Division a couple of years ago.  
8 And that well was drilled, and there is data from that  
9 well. But we just wanted to present a little geology so  
10 you can see what they're trying to test. And, you know,  
11 now it's the Mancos, although the old term was Gallup.  
12 But we just wanted to give a little geologic data.

13 The Elk Com well was also a lay-down well,  
14 more or less. It might have trended just slightly  
15 east-northeast, but it was a lay-down well, also.

16 EXAMINER JONES: Okay.

17 MR. BRUCE: And move the admission of  
18 Exhibit 3.

19 EXAMINER JONES: Exhibit 3 is admitted.

20 (Anschutz Oil Company Exhibit Number 3 was  
21 offered and admitted into evidence.)

22 EXAMINER JONES: Seems this has been a  
23 land-intensive prospect. An understatement, obviously  
24 (laughter).

25 THE WITNESS: I told John Michael this is

1 the worst land stuff I've worked on in a long time. So  
2 it is. I mean, the combination of the old leases and  
3 the multiple, multiple conveyances of interest -- I  
4 mean, our title opinions total 400 pages. It's not  
5 pretty.

6 MR. BRUCE: For historical reference,  
7 Mr. Examiner, these varied sections and townships are  
8 some of the stuff I first worked on when I started  
9 appearing in front of the OCD about two, three years ago  
10 (laughter).

11 EXAMINER JONES: I knew it wasn't long ago  
12 (laughter).

13 MR. BRUCE: But, Mr. Examiner, I did --  
14 I've had some stuff that has taken me out of the office,  
15 but I did prepare a proposed order, and I will e-mail  
16 that to both of you here in a day or so.

17 EXAMINER JONES: So you're in a hurry for a  
18 decision on this one?

19 THE WITNESS: We are, in that my preference  
20 is to force pool before you drill. I understand that we  
21 can force pool after we drill. However, our preference  
22 as a company is to force pool, get it all done up front.  
23 And as I said, having a rig come fairly quickly was a  
24 little bit of a surprise to me.

25 MR. BRUCE: And if we could get an order.

1 : Obviously, the well will be drilling in the 30-day  
2 : election period --

3 : THE WITNESS: Right.

4 : MR. BRUCE: -- but it won't allow people  
5 : to --

6 : THE WITNESS: Write us down.

7 : MR. BRUCE: -- write them down, get the  
8 : well --

9 : THE WITNESS: One of my concerns is that  
10 : with 37 working interest owners, quite a number of them  
11 : are entitled to well information under the farm-out  
12 : agreements. It will not be easy to keep this  
13 : confidential.

14 : EXAMINER JONES: That being all in this  
15 : case?

16 : MR. BRUCE: Yes.

17 : EXAMINER JONES: Thank you very much.

18 : Case 15234 will be taken under advisement.

19 : THE WITNESS: Thank you.

20 : EXAMINER JONES: Thank you for coming up  
21 : from Denver.

22 : (Case Number 15234 concludes, 12:17 p.m.)

23 : I do hereby certify that the foregoing is  
24 : a true and correct copy of the proceedings in  
25 : the above entitled case as heard by me.  
WILL JONES  
11/14

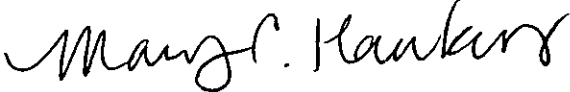
1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3 CERTIFICATE OF COURT REPORTER

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

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

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

18  
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