

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. 13,615

APPLICATION OF LATIGO PETROLEUM, INC.,)
FOR COMPULSORY POOLING, LEA COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

February 2nd, 2006

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, February 2nd, 2006, 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.

* * *

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

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I N D E X

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E X H I B I T S

Applicant's	Identified	Admitted
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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
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Santa Fe, New Mexico 87505

FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
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Santa Fe, New Mexico 87504

FOR BRIAN SCARBOROUGH, GRAND BANKS ENERGY COMPANY,
and EVERQUEST ENERGY COMPANY:

KAREN AUBREY
Attorney at Law
320 Paseo de Peralta, Suite A
Santa Fe, New Mexico 87501

FOR OCCIDENTAL PERMIAN, LTD.:

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P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: OCEAN MUNDS-DRY

* * *

1 WHEREUPON, the following proceedings were had at
2 9:15 a.m.:

3 EXAMINER JONES: And at this time let's call Case
4 13,615, continued from January 19th, Application of Latigo
5 Petroleum, Incorporated, for compulsory pooling, Lea
6 County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
9 representing the Applicant. I do not have any witnesses.

10 EXAMINER JONES: No other appearances? Any other
11 appearances?

12 MS. AUBREY: Yes, Karen Aubrey. I represent
13 Brian Scarborough, Grand Banks Energy Company, and
14 EverQuest Energy Company, and I'm just here to say that
15 we've reached an agreement with Latigo, so we're not being
16 pooled today.

17 EXAMINER JONES: Okay. Those appearances are in
18 the record, I assume.

19 Any other appearances?

20 MS. MUNDS-DRY: Mr. Hearing Examiner, Ocean
21 Munds-Dry with the law firm of Holland and Hart,
22 representing Occidental Permian. Like Ms. Aubrey,
23 Occidental has also reached an agreement with Latigo, so we
24 are not, hopefully, being pooled today.

25 EXAMINER JONES: Okay.

1 MR. BRUCE: Well, Mr. Examiner, we are here to
2 pool Occidental Permian, Ltd., today, because as of
3 yesterday I had not heard anything about any agreement.
4 Now, if they have reached terms, I will notify the
5 Division. This is the week of NAPE down in Houston, so --

6 EXAMINER JONES: Yeah.

7 MR. BRUCE: -- a lot of the landmen are -- and
8 including my landmen at Latigo, are unavailable. And I
9 will notify the Division as soon as possible.

10 And I did not know -- Occidental Permian had not
11 entered -- filed an entry of appearance, so I did not know
12 they were going to be here today, so...

13 But a couple of things Mr. Examiner. Latigo is
14 here pooling the south half of Section 10, 16-32. I've
15 submitted to you as Exhibit Number 1 a statement under Rule
16 1207-A regarding the pooling.

17 Attached as Exhibit A to the statement is a land
18 plat showing the south half of Section 10, 16 South, 32,
19 which is being pooled.

20 If you look at the south half, Ms. Aubrey's
21 clients own the -- 100 percent of the leasehold in the
22 southwest quarter, southwest quarter; the southeast
23 quarter, southeast quarter; and the northeast quarter,
24 southeast quarter. And Latigo has reached an agreement
25 with Ms. Aubrey's client and does not seek to pool them.

1 Occidental Permian, Ltd., owns 100 percent of the
2 working interest in the southeast quarter, southwest
3 quarter. It's listed as Nearburg, but it is Occidental
4 Permian, Ltd.

5 The well that we're here for today is the dry
6 hole in the southwest quarter, the southeast quarter, and
7 that well is to be re-entered and -- to test the Morrow
8 formation.

9 This Application originally sought to pool the
10 southeast quarter and, separately, the south half, but
11 because Occidental Permian does not own an interest in the
12 southeast quarter, the only thing sought to be pooled today
13 is the south half of Section 10.

14 Attached as Exhibit B is the proposal letter that
15 went out to Occidental Permian in October. And I know
16 they've been in touch, and the affidavit of Mr. Chatham,
17 the landman, states that they've been in touch numerous
18 times over the past several months, and they do want to
19 reach terms with Occidental.

20 And then attached as Exhibit B [sic] is the AFE
21 for the re-entry, showing a well cost of just over \$2
22 million for the re-entry.

23 Submitted as Exhibit 2 is the affidavit of
24 notice. The proposal letter went out on December 1, and
25 again it went out to several people, but only -- we're only

1 here today for Occidental Permian, Ltd. And just for your
2 information, the Chevron USA interest is now owned by Ms.
3 Aubrey's clients.

4 I would ask that this matter be taken under
5 advisement. I will check with my landman, and if OXY has
6 signed a voluntary agreement, whether a farmout or to
7 commit to the well, I will notify you so that you're not in
8 any -- I'm not asking for an expedited order or anything.
9 And hopefully they have come to terms, but I just have not
10 heard that as of yesterday.

11 EXAMINER JONES: Okay.

12 MR. BRUCE: And I'd move the admission of
13 Exhibits 1 and 2.

14 EXAMINER JONES: Exhibits 1 and 2 will be
15 admitted to evidence.

16 And you're abandoning the -- so it's just a
17 south-half, and it's the Anderson Ranch-Morrow and --

18 MR. BRUCE: Yeah, statewide rules.

19 EXAMINER JONES: Statewide rules.

20 MR. BRUCE: And that proposed -- the re-entry --
21 I forget when that well was drilled. I probably have that
22 somewhere in my file --

23 EXAMINER JONES: That's all right.

24 MR. BRUCE: -- is at a -- I think it's 660 from
25 the south and 1980 from the west.

1 EXAMINER JONES: Okay. Do you have any
2 questions?

3 MS. MacQUESTEN: No questions.

4 EXAMINER JONES: Okay. With that, we'll take
5 Case 13,615 under advisement.

6 (Thereupon, these proceedings were concluded at
7 9:21 a.m.)

8 * * *

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14 I do hereby certify that the foregoing is
15 a complete record of the proceedings in
16 the Examiner hearing of Case No. _____,
17 heard by me on _____.

18 _____, Examiner
19 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 February 4th, 2006.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006