

## 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. 13,733

APPLICATION OF ENERGEN RESOURCES )  
 CORPORATION FOR COMPULSORY POOLING, )  
 RIO ARRIBA COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

June 22nd, 2006

Santa Fe, New Mexico

2006 JUL 6 AM 8 07

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, June 22nd, 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.

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## I N D E X

June 22nd, 2006  
 Examiner Hearing  
 CASE NO. 13,733

## PAGE

APPEARANCES

3

APPLICANT'S WITNESS:

DAVID POGUE (Landman)

Direct Examination by Mr. Hall

4

Examination by Examiner Catanach

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REPORTER'S CERTIFICATE

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## E X H I B I T S

Applicant's

Identified

Admitted

Exhibit 1

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Exhibit 2

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Exhibit 3

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Exhibit 4

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Exhibit 5

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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  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

MILLER, STRATVERT P.A.  
150 Washington  
Suite 300  
Santa Fe, New Mexico 87501  
By: J. SCOTT HALL

\* \* \*

1 WHEREUPON, the following proceedings were had at  
2 8:40 a.m.:

3 EXAMINER CATANACH: All right, at this time I'll  
4 call Case 13,733, the Application of Energen Resources  
5 Corporation for compulsory pooling, Rio Arriba County, New  
6 Mexico.

7 Call for appearances.

8 MR. HALL: Mr. Examiner, Scott Hall, Miller  
9 Stratvert law firm, Santa Fe, appearing on behalf of the  
10 Applicant Energen Resources Corporation, with one witness  
11 this morning.

12 EXAMINER CATANACH: Call for any additional  
13 appearances.

14 There being none, will the witness please stand  
15 to be sworn in?

16 (Thereupon, the witness was sworn.)

17 DAVID POGUE,  
18 the witness herein, after having been first duly sworn upon  
19 his oath, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. HALL:

22 Q. For the record, please state your name.

23 A. My name is David Pogue.

24 Q. Mr. Pogue, where do you live and by whom are you  
25 employed?

1           A.    I live in Farmington, New Mexico.  I'm employed  
2 by Energen Resources Corporation.

3           Q.    And in what capacity for Energen?

4           A.    I am a district landman for Energen.

5           Q.    Okay.  You've previously testified before the  
6 Division and had your credentials as an expert professional  
7 landman established as a matter of record, have you not?

8           A.    Yes, sir.

9           Q.    And you're familiar with the Application that's  
10 been filed in this case and the lands that are the subject  
11 of the Application?

12          A.    Yes.

13               MR. HALL:  Mr. Examiner, are the witness's  
14 credentials acceptable?

15               EXAMINER CATANACH:  They are.

16          Q.    (By Mr. Hall)  Mr. Pogue, explain what Energen  
17 seeks by this Application.

18          A.    We would like to see the west half of Section 2  
19 pooled from the Mesaverde formation so that -- to -- so we  
20 can complete our McCroden C Number 1 well.

21          Q.    And is the McCroden C Number 1 a recompletion?

22          A.    Yes, it is.

23          Q.    Okay.  And what acreage are you seeking to pool?

24          A.    It's the west half of Section 2.

25          Q.    Is that in 25 North, 3 West?

1 A. Yes, sir.

2 Q. Let's look at your exhibits, if you would,  
3 please. Identify Exhibit 1.

4 A. Exhibit 1 is a plat of the area to be  
5 communitized, showing the west half of the section. Shows  
6 the two federal leases covering lots 3 and 4 in the  
7 northwest quarter of Section 2, the north half, southwest  
8 quarter is also covered by an additional federal oil and  
9 gas lease. Energen Resources owns 100 percent of each of  
10 these leases. The south half, southwest quarter, Energen  
11 owns 78 percent of it, and the rest of it is unleased  
12 mineral interest owned by four different individuals.

13 Q. Okay. And are the surface and bottomhole  
14 locations for the recompleted well standard?

15 A. Yes, they are.

16 Q. Okay. Let's look at Exhibit 2, your AFE. If you  
17 would review the dryhole and completed well cost figures  
18 for the Examiner.

19 A. The dryhole costs at present are nothing because  
20 the well is already drilled; it's just a recompletion  
21 attempt. The completed well cost would be \$189,980.

22 Q. And are those recompletion costs in line with  
23 what you see in the Basin these days?

24 A. Yes, they are.

25 Q. All right. And have you made an estimate of the

1 overhead and administrative costs while drilling and  
2 producing the well?

3 A. Yes, our requested drilling costs are \$5000 per  
4 month, and the producing costs are \$570 per month.

5 Q. And are the parties who are participating in this  
6 well agreed to these rates?

7 A. Yes, they have.

8 Q. Okay, and are these overhead rates also in line  
9 with what's being charged in the Basin?

10 A. Yes.

11 Q. And are you recommending that these drilling and  
12 producing rates be incorporated in any order that issues  
13 from the Division?

14 A. Yes, I am.

15 Q. And are you asking that the Division provide for  
16 an adjustment in those overhead rates in accordance with  
17 the COPAS bulletin?

18 A. Yes.

19 Q. Let's look in a little more detail at your  
20 ownership breakdown, your Exhibit 3. If you'd explain that  
21 to the Hearing Examiner.

22 A. The Exhibit 3 shows the Mesaverde formation  
23 ownership in this west half of Section 2 in our McCroden C  
24 Number 1 well.

25 Energen has oil and gas leases and have joined in

1 the well, and we own 95.08 percent.

2 JAS Oil and Gas, LLC, is an unleased mineral  
3 owner who has joined, owns 3.73 percent.

4 Josie Gallegos is unleased minerals. We  
5 presently find her unlocatable, and we have some indication  
6 she's deceased but we have not proof of that.

7 The Louis Martinez Estate, also unleased  
8 minerals, has joined in the well with their .28 percent.

9 And Amadito Valdez has unleased minerals. We  
10 have been able to be in contact with him, but we cannot get  
11 a response out of him or contact him by phone. He has .032  
12 percent interest in the well.

13 Q. Okay. And are you asking the Division to force  
14 pool these unjoined mineral interests at the statutory 1/8  
15 royalty rate, 7/8 working interest rate?

16 A. Yes.

17 Q. And are you also seeking the imposition of the  
18 200-percent risk penalty against those interests?

19 A. Yes.

20 Q. Let's look at your Exhibit 4, and if you would  
21 just explain the efforts you undertook to try to locate  
22 these mineral interest owners and communicate with them.

23 A. Exhibit 4 is copies of the letters sent. We sent  
24 letters to the Gallegos and Valdez people on March 3rd,  
25 followed up again on April the 7th. We have been able --



1 we have tried on numerous occasions to locate them by  
2 phone, using Internet searches, as well as directory  
3 assistance searches. Both letters to Josie Gallegos have  
4 been returned by the post office.

5 And the certified return receipts from Amadito  
6 Valdez have been returned, but we have been unable to  
7 contact him or get a response out of him.

8 Q. All right. And does a compilation of all of  
9 those letters comprise Exhibit 4?

10 A. Yes.

11 Q. And the return receipts as well?

12 A. Yes.

13 Q. Okay. In your opinion, has Energen made a good  
14 faith effort to attempt to locate those mineral interest  
15 owners and obtain their voluntary participation in the  
16 well?

17 A. Yes, we have.

18 Q. In your opinion, would granting Energen's  
19 Application be in the interests of conservation, prevention  
20 of waste, protection of correlative rights?

21 A. Yes.

22 Q. Were Exhibits 1 through 4 prepared by you?

23 A. Yes, they were.

24 MR. HALL: That concludes our direct of this  
25 witness, Mr. Examiner.

1           We'd move the admission of Exhibits 1 through 4,  
2           and also Exhibit 5 as our notice affidavit, including the  
3           affidavit of publication in the *Rio Grande Sun* for the  
4           unlocatable mineral interest owners.

5           EXAMINER CATANACH: I'm sorry, Mr. Hall, did you  
6           say that did contain the publication notice?

7           MR. HALL: Yes. Is it not in your copy? It  
8           should be under the cover page.

9           EXAMINER CATANACH: Oh, okay, sorry. But it  
10          doesn't say what was in the -- This is just the affidavit  
11          of publication. Do you have the actual publication?

12          MR. HALL: I have the original if you need that.

13          EXAMINER CATANACH: Oh, sorry, there it is.

14                               EXAMINATION

15          BY EXAMINER CATANACH:

16               Q.    Okay, Mr. Pogue, where did you get the initial  
17               address that you used for Ms. Gallegos?

18               A.    These parties are involved in another well that  
19               we have, and they're presently on pay through our Division  
20               Order system, so we were able to use those addresses.

21               Q.    So this other well that she's involved in, you've  
22               been trying to send her what, checks, or -- ?

23               A.    Yeah. Josie Gallegos, all the checks are  
24               returned. That's why we think she's deceased, but we  
25               haven't been able to prove it.

1 Q. And how long has that been going on?

2 A. Oh, for over a year.

3 Q. And why do you think that she may be deceased?

4 A. Well, it's just the indication I get from our  
5 Division Order staff.

6 Q. And have you tried to contact Mr. Valdez by phone  
7 or --

8 A. Yes, we have. We can't find a phone number for  
9 him.

10 Q. But he is receiving your letters?

11 A. He's receiving the letters, he signs the return  
12 receipts from the post office, but we can't get a response  
13 out of him of any kind.

14 Q. Okay. Now, is this the first Mesaverde well that  
15 will be on that west half?

16 A. Yes.

17 Q. And the well is currently -- it's drilled -- it's  
18 a Dakota well, right?

19 A. It was drilled as a Gallup-Dakota, and that's  
20 been plugged.

21 Q. So it's currently plugged and abandoned?

22 A. No, it's currently --

23 Q. It's currently plugged --

24 A. -- shut in, right now. We had a rig in the area  
25 last summer, just the last couple months, and we would have

1 had to move it out and then move it back in, so we went  
2 ahead and did the recompletion work. And then once it was  
3 done, it was shut in. And it's setting right now.

4 Q. So the well has already been recompleted?

5 A. Yes, the well has been recompleted in the  
6 Mesaverde, but we haven't tested or produced it.

7 EXAMINER CATANACH: Okay, that's all I have.

8 MR. HALL: That concludes our case.

9 EXAMINER CATANACH: Did we admit the exhibits?  
10 We may not have. Anyway, Exhibits 1 through 5 are admitted  
11 in the case.

12 And there being nothing further, Case 13,733 will  
13 be taken under advisement.

14 (Thereupon, these proceedings were concluded at  
15 8:50 a.m.)

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17  
18  
19 I do hereby certify that the foregoing is  
20 a complete record of the proceedings in  
the Examiner hearing of Case No. 13733,  
heard by me on June 22, 2006.

21 David R. Catanch, Examiner  
22 Oil Conservation Division  
23  
24  
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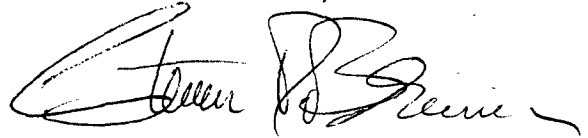
## CERTIFICATE OF REPORTER

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 June 23rd, 2006.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006