

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. 13,803

APPLICATION OF LCX ENERGY, LLC,)
FOR APPROVAL OF A UNIT AGREEMENT,)
EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

November 30th, 2006

Santa Fe, New Mexico

2006 DEC 13 PM

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, November 30th, 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

I N D E X

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Examiner Hearing
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A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS, JR.
Assistant 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 11:44 a.m.:

3 EXAMINER EZEANYIM: Now I call the next case on
4 the docket, it's on page 4. Case Number 13,803. This case
5 was continued from the November 9 Examiner Hearing, and
6 it's the Application of LCX Energy, LLC, for approval of a
7 unit agreement, Eddy County, New Mexico.

8 Call for appearances.

9 MR. HALL: Mr. Examiner, Scott Hall, Miller
10 Stratvert, PA, Santa Fe, appearing on behalf of the
11 Applicant LCX Energy, LLC. I have no witnesses this
12 morning, I'll be presenting this case by affidavit.

13 EXAMINER EZEANYIM: Thank you, Mr. Hall.

14 Any other appearances?

15 Okay, you may proceed.

16 MR. HALL: Mr. Examiner, by this Application LCX
17 Energy, LLC, seeks Division approval of a unit and unit
18 agreement for its proposed Big Dog State Exploratory Unit,
19 consisting of all of Sections 16, 20 and 21 in Township 18
20 South, Range 23 East, in Eddy County, New Mexico.

21 We've provided you with what we've marked as
22 Exhibit 1, and that is the affidavit of Dave Kvasnicka. He
23 is the geologist for LCX Energy in charge of this
24 particular project.

25 As you will see in his affidavit, the target

1 interval for this exploratory unit is the Wolfcamp
2 formation, and they propose to develop the Wolfcamp by
3 drilling the first well in Section 20 of 18 South, 23 East,
4 from a surface location 660 from the north, 1880 from the
5 west, and to a bottomhole location for a horizontal drill
6 660 from the south line and 1880 feet from the west line of
7 Section 20.

8 Included with Mr. Kvasnicka's affidavit is what
9 we've marked as Exhibit A, Attachment A, and it is a copy
10 of the unit agreement for the Big Dog State Exploratory
11 Unit. It's been executed by the unit operator, LCX, and it
12 is on the form for exploratory units approved by the State
13 Land Office.

14 The next attachment is Exhibit B, and it is a
15 plat outlining the unit area. And also identified on that
16 plat is the surface and bottomhole locations of the initial
17 unit well, the unit well number 1.

18 Exhibit C to the affidavit is in fact Exhibit B
19 from the unit agreement, and it's an outline of the
20 ownership throughout the unit. It identifies the working
21 interest ownership. As explained in Mr. Kvasnicka's
22 affidavit, 100 percent of the working interest owners have
23 approved this unit, and it comprises 100-percent State of
24 New Mexico oil and gas leases.

25 Attachment D is the preliminary approval letter

1 received from the New Mexico State Land Office, dated
2 November 27th, 2006.

3 EXAMINER EZEANYIM: Attachment what?

4 MR. HALL: That's Attachment D, Exhibit D.

5 EXAMINER EZEANYIM: Okay.

6 MR. HALL: And from there, Attachments E-1 and
7 E-2 are two structure maps for the two target intervals in
8 the Wolfcamp formation, what they have called the green
9 zone and the Kincaid zone.

10 You'll also see on Exhibits E-1 and E-2 an A-A'
11 cross-section line, and the cross-section itself is shown
12 as Exhibit Number F.

13 The nature of the geology underlying the unit in
14 the Wolfcamp formation is explained in some greater detail
15 in Mr. Kvasnicka's unit.

16 That concludes our presentation, Mr. Examiner.
17 We'd move the admission of Exhibit 1 and Attachments A
18 through F.

19 EXAMINER EZEANYIM: Exhibit 1 and Attachment A
20 through F will be admitted into evidence.

21 You said 100 percent have signed the unit
22 agreement?

23 MR. HALL: Yes, I believe so. I don't have a
24 signed copy of the unit agreement available to me today,
25 but it's my understanding 100 percent are on board.

1 EXAMINER EZEANYIM: Okay, if 100 percent is on
2 board, you shouldn't come to hearing then.

3 MR. HALL: I tend to agree, Mr. Examiner. It's a
4 requirement of the State Land Office that we do so.

5 MR. BROOKS: Yeah, you and I have talked about
6 getting a rule that will permit us to approve these
7 administratively.

8 EXAMINER EZEANYIM: Administratively, so --

9 MR. BROOKS: The State Land Office will not
10 approve these unless we do, so...

11 EXAMINER EZEANYIM: Oh, okay.

12 Okay, you're excused, I have no questions.

13 MR. BROOKS: Neither do I.

14 MR. HALL: Thank you, Mr. Examiner.

15 EXAMINER EZEANYIM: Thank you.

16 (Off the record)

17 EXAMINER EZEANYIM: Okay, at this point we're
18 going to take a lunch break and come back around 1:15,
19 1:20, to continue with the cases.

20 (Thereupon, these proceedings were concluded at
21 11:49 a.m.)

22 * * *

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
25 the Examiner hearing of Case No. 13503
heard by me on

Off Conservation Division, Examiner
STEVEN T. BRENNER, cer
(505) 989-9317

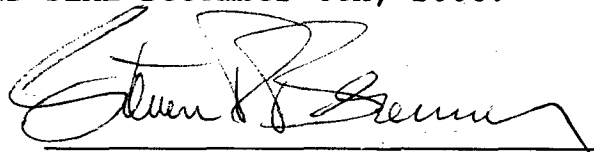
CERTIFICATE OF REPORTER

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 December 4th, 2006.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010