

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. 13,813

APPLICATION OF OXY USA WTP LIMITED )  
 PARTNERSHIP FOR COMPULSORY POOLING, )  
 EDDY COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

November 9th, 2006

Santa Fe, New Mexico

2006 NOV 20 PM 12 52

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, November 9th, 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.

\* \* \*

## I N D E X

November 9th, 2006  
Examiner Hearing  
CASE NO. 13,813

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| APPEARANCES                      | 3    |
| APPLICANT'S WITNESS:             |      |
| <u>DAVID RAY EVANS</u> (Landman) |      |
| Direct Examination by Mr. Carr   | 4    |
| Examination by Examiner Catanach | 11   |
| REPORTER'S CERTIFICATE           | 14   |

\* \* \*

## E X H I B I T S

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit 1   | 6          | 10       |
| Exhibit 2   | 8          | 10       |
| Exhibit 3   | 8          | 10       |
| Exhibit 4   | 9          | 10       |
| Exhibit 5   | 10         | 10       |

\* \* \*

## 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:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
110 N. Guadalupe, Suite 1  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

\* \* \*

1 WHEREUPON, the following proceedings were had at  
2 8:44 a.m.:  
3  
4

5 EXAMINER CATANACH: At this time I'll call Case  
6 13,813, the Application of OXY USA WTP Limited Partnership  
7 for compulsory pooling, Eddy County, New Mexico.

8 Call for appearances.

9 MR. CARR: May it please the Examiner, my name is  
10 William F. Carr with the Santa Fe office of Holland and  
11 Hart, L.L.P. We represent OXY USA WTP Limited Partnership  
12 in this matter, and I have one witness.

13 EXAMINER CATANACH: Any additional appearances in  
14 this case?

15 Okay, please swear the witness then.

16 (Thereupon, the witness was sworn.)

17 DAVID RAY EVANS,  
18 the witness herein, after having been first duly sworn upon  
19 h\* oath, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. CARR:

22 Q. Would you state your name for the record, please?

23 A. David Ray Evans.

24 Q. Mr. Evans, where do you reside?

25 A. 1506 Douglas, Midland, Texas.

1 Q. By whom are you employed?

2 A. OXY USA WTP Limited Partnership.

3 Q. And what is your current position with OXY?

4 A. Land negotiator.

5 Q. Have you previously testified before the New  
6 Mexico Oil Conservation Division?

7 A. Yes, I have.

8 Q. And at the time of that testimony were your  
9 credentials as an expert in petroleum land matters accepted  
10 and made a matter of record?

11 A. Yes, they were.

12 Q. Are you familiar with the Application filed in  
13 this case on behalf of OXY?

14 A. Yes.

15 Q. And are you familiar with the status of the lands  
16 in the area that is the subject of this case?

17 A. Yes.

18 MR. CARR: Are the witness's credentials  
19 acceptable?

20 EXAMINER CATANACH: They are.

21 Q. (By Mr. Carr) Mr. Evans, would you briefly state  
22 what it is that OXY seeks with this Application?

23 A. OXY is looking for a pooling order from the  
24 surface to the base of the Morrow formation under the  
25 following standard units: in the south half of Section 9,

1 17 South, Range 29 East, Eddy County, New Mexico, that's  
2 the south half, for all formations and all pools developed  
3 on 320 spacing, which includes but not limited to the  
4 Undesignated South Empire-Morrow Gas Pool, the Undesignated  
5 Atoka, North Grayburg-Atoka Gas Pool, the southwest quarter  
6 for all formations and the pools developed on 160-acre  
7 spacing.

8 Q. There are no 80-acre spacing fee pools in this  
9 area, are there?

10 A. There are not.

11 Q. And all interests in the 40 acres on which the  
12 well is located are going to be voluntarily committed to  
13 the well?

14 A. Correct.

15 Q. What is the well to which you propose to dedicate  
16 these pooled units?

17 A. OXY Flameskimmer State Com Number 1.

18 Q. And where will that well be drilled?

19 A. It's located 1650 feet from the south line, 1980  
20 from the west, Unit K, Section 9.

21 Q. And that's a standard location?

22 A. Yes.

23 Q. Let's go to what's been marked OXY Exhibit Number  
24 1. Would you identify this and review it for Mr. Catanach?

25 A. Exhibit 1 is the plat for the OXY Flameskimmer

1 State Com Number 1 location and the outlines of the two  
2 spacing.

3 Q. Primary objective in this well is what?

4 A. The Morrow.

5 Q. I think before we go on, it might be helpful to  
6 review for the Examiner the status of the voluntary  
7 commitment of the lands in this spacing unit. Who has  
8 voluntarily joined?

9 A. BP Petroleum.

10 Q. What is the status of the Chevron interest?

11 A. Currently negotiating final terms.

12 Q. Would you anticipate that they will participate  
13 in the well?

14 A. As they will farm out their interest, yes.

15 Q. Also, do Marbob and Pitch have an interest in the  
16 well?

17 A. Yes, they do.

18 Q. And what is the status of that interest?

19 A. Currently finalizing term assignments from them.

20 Q. So today you're only really seeking an order  
21 pooling ConocoPhillips --

22 A. That's correct.

23 Q. -- is that correct?

24 All other interests, you're confident, will be  
25 voluntarily committed to the well?

1 A. Yes.

2 Q. Could you summarize the efforts you've made to  
3 obtain the voluntary participation of ConocoPhillips?

4 A. We sent them an AFE on August 9th of 2006, made  
5 multiple calls and e-mails to Greg Fuzzell, the new landman  
6 for New Mexico, dating from September all the way to  
7 October 30th, with the last phone call shortly before I  
8 left on the 3rd.

9 Q. At this point in time, do you know whether or not  
10 they're going to voluntarily commit to this well?

11 A. I do not know.

12 Q. If you should be able to work an arrangement with  
13 them where they voluntarily commit, will you immediately  
14 advise the OCD that --

15 A. Yes.

16 Q. -- all interests are --

17 A. Yes, we will.

18 Q. Is Exhibit Number 2 a compilation of letters  
19 confirming or supporting the efforts that you have made to  
20 reach voluntary agreement for the development of the well?

21 A. Yes.

22 Q. What is Exhibit Number 3?

23 A. It's the AFE dated August 9th of 2006.

24 Q. And what are the totals as reflected on that AFE?

25 A. Dryhole cost of \$1,657,106, completion cost of



1 \$2,251,700.

2 Q. Are these costs in line with your actual costs in  
3 drilling similar wells in the area?

4 A. Yes, they are.

5 Q. What is Exhibit Number 4?

6 A. Exhibit 4 is our accounting procedure for the  
7 joint operation for the Flameskimmer.

8 Q. Do these accounting procedures provide for the  
9 periodic adjustment of overhead and administrative costs?

10 A. Yes, they do.

11 Q. Does OXY request that the overhead and  
12 administrative cost approved by the order in this case also  
13 provide -- that they can be adjusted in accordance with  
14 these COPAS procedures?

15 A. Yes.

16 Q. Have you made an estimate of these overhead and  
17 administrative charges?

18 A. \$6000 and \$600.

19 Q. And what is the basis for those? Are they in  
20 line with the Ernst and Young survey?

21 A. They're in line with the Ernst and Young survey.

22 Q. Do you recommend that these figures be  
23 incorporated into the order that results from today's  
24 hearing?

25 A. Yes.

1 Q. Does OXY request that a 200-percent charge for  
2 risk be imposed on any cost-bearing interest that doesn't  
3 voluntarily commit to the well?

4 A. Yes.

5 Q. Does OXY USA WTP Limited Partnership seek to be  
6 designated operator?

7 A. Yes.

8 Q. And how soon do you plan to actually commence  
9 operations?

10 A. Probably the second week of December.

11 Q. Is Exhibit Number 5 an affidavit with attached  
12 letters confirming that notice of this hearing has been  
13 provided in accordance with the Rules of the Division?

14 A. And is a copy of the legal advertisement run in  
15 the *Artesia Daily Press* also attached to the affidavit?

16 A. Yes.

17 Q. Were Exhibits 1 through 5 either prepared by you  
18 or compiled under your direction and supervision?

19 A. Yes, they were.

20 MR. CARR: At this time, Mr. Catanach, we move  
21 the admission into evidence of OXY Exhibits 1 through 5.

22 EXAMINER CATANACH: Exhibits 1 through 5 will be  
23 admitted.

24 MR. CARR: And that concludes my examination of  
25 Mr. Evans.

## EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Evans, what percentage of interest does ConocoPhillips own in the unit?

A. 37 1/2.

Q. So have they just not committed, or --

A. I can't get a response -- We had one response saying they would do what Chevron did, and that was about mid-September, and since then I've not been able to talk to the guy, he has not responded to me. I was in Houston last week to have lunch with him and he canceled, so...

I feel sorry for him because he's handling both east Texas and west Texas, and they have no other geologist and their management has quit and moved on. They're just having difficulty getting stuff out.

Q. Do you know what the total depth of this well is going to be? I can't seem to find it on the AFE.

A. 11,000.

Q. Okay.

A. Second page of the AFE.

Q. Second page of the AFE.

A. You've got the front page, and then there's a second -- you don't have -- whoops, okay.

Q. This is all I have as far as an AFE goes.

MR. CARR: You just have one page?

1 EXAMINER CATANACH: Yeah.

2 MR. CARR: We'll provide --

3 EXAMINER CATANACH: Okay.

4 MR. CARR: I have this one. Do you have those  
5 pages?

6 EXAMINER CATANACH: Thank you. That's all I  
7 have.

8 MR. CARR: That concludes our presentation in  
9 this case.

10 MR. BROOKS: I just have one point on your notice  
11 letter attached to notice affidavit. To comply with the  
12 Rules, I really think I should add to your form the time  
13 and the location of the hearing. I'm sure that the  
14 industry players that are involved here all know when we  
15 have our hearings, but there might be some people out there  
16 that wouldn't.

17 MR. CARR: Will do.

18 MR. BROOKS: Thanks.

19 EXAMINER CATANACH: Okay.

20 MR. CARR: And we'll have the time and the actual  
21 address as well.

22 MR. BROOKS: That is what I think should be done,  
23 my reading of the Rules. Thank you.

24 EXAMINER CATANACH: All right, there being  
25 nothing further, Case 13,813 will be taken under

1 advisement.

2 (Thereupon, these proceedings were concluded at  
3 8:55 a.m.)

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11  
12 I do hereby certify that the foregoing is  
13 a complete record of the proceedings in  
14 the Examiner hearing of Case No. 13813,  
15 heard by me on November 9, 2006.  
16 David R. C. Hunt, Examiner  
17 Oil Conservation Division  
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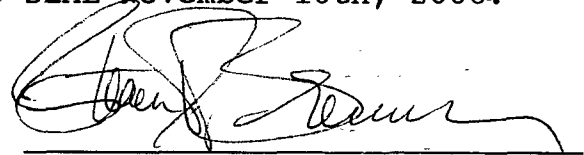
## CERTIFICATE OF REPORTER

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 November 10th, 2006.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2010