

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. 13,838
APPLICATION OF SAMSON RESOURCES COMPANY)
FOR COMPULSORY POOLING, LEA COUNTY,)
NEW MEXICO)
)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

December 13th, 2006

Santa Fe, New Mexico

2006 DEC 27 PM 2 54

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Wednesday, December 13th, 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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December 13th, 2006
Examiner Hearing
CASE NO. 13,838

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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:

JAMES G. BRUCE
 Attorney at Law
 P.O. Box 1056
 Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 9:44 a.m.:

3 EXAMINER JONES: Okay, let's call Case Number
4 13,838, Application of Samson Resources Company for
5 compulsory pooling, Lea County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
8 representing the Applicant. I have one witness.

9 EXAMINER JONES: Any other appearances?
10 Will the witness please stand to be sworn?
11 (Thereupon, the witness was sworn.)

12 THOMAS LAND,
13 the witness herein, after having been first duly sworn upon
14 his oath, was examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. BRUCE:

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

18 A. Thomas Land.

19 Q. Where do you reside?

20 A. Midland, Texas.

21 Q. Who do you work for?

22 A. I'm a senior landman for Samson Resources.

23 Q. Have you previously testified before the
24 Division?

25 A. Yes, sir.

1 Q. And were your credentials as an expert landman
2 accepted as a matter of record?

3 A. Yes, they were.

4 Q. And are you familiar with the land matters
5 involved in this case?

6 A. I am.

7 MR. BRUCE: Mr. Examiner, I tender Mr. Land as an
8 expert petroleum landman.

9 EXAMINER JONES: Mr. Land is qualified as an
10 expert petroleum landman.

11 Q. (By Mr. Bruce) Mr. Land, could you identify
12 Exhibit 1 and describe what Samson seeks in this
13 Application?

14 A. Exhibit 1 is a land plat showing the east half of
15 Section 32 in which BP Petroleum has the northeast quarter
16 and Samson has a state lease on the southeast quarter.
17 Both -- The northeast is also state land.

18 Q. Okay, and Samson simply seeks to force pool the
19 east half for well units developed on 320-acre spacing?

20 A. Yes, sir.

21 Q. What is the proposed well's location?

22 A. The surface location is 1980 from the south and
23 1100 from the east.

24 Q. And that is a standard gas well location?

25 A. Yes, sir.

1 Q. Who are the working interest owners in the well,
2 and who do you seek to pool?

3 A. Samson has 100 percent of the southeast quarter,
4 BP has 100 percent of the northeast quarter, and those are
5 the only interest owners.

6 Q. Okay, so BP is the only party being pooled?

7 A. Yes, sir.

8 Q. Let's discuss your efforts to obtain the
9 voluntary joinder of BP in this well. What is Exhibit 2?

10 A. It's a notification, written notification, and
11 offers to participate or, in the alternative, grant us a
12 term assignment of their interest on the northeast quarter
13 so we can drill the well.

14 Q. And you sent a letter in September and another
15 one in November. What type of response have you received
16 from BP?

17 A. We've received various response. BP tried to
18 make a trade in Eddy County on some other interests we
19 have, but that's an ongoing prospect for our other teams,
20 our Eddy County teams, so I had to -- we couldn't make the
21 trade on that. We've tried to -- They've got a JOA, AFE.
22 I tried to work whatever I could with them, and the bottom
23 line --

24 Q. Besides your letters, you have had phone calls
25 with them, have you not?

1 A. Phone calls, e-mails, and just trying to work
2 something out with them. And it's all been -- it hasn't
3 been negative, but it's just been drawn out to the point
4 that we've got rig schedules coming up first part of the
5 year, and we're trying to get that established on that
6 basis.

7 Q. In your opinion, has Samson made a good-faith
8 effort to obtain the voluntary joinder of BP in the well?

9 A. Yes, sir.

10 Q. What is the cost of the well? And I refer you to
11 Exhibit 3.

12 A. We've got dryhole cost of \$2.9 million, and \$3.8
13 million on completion.

14 Q. What is the approximate depth of this well?

15 A. We're at 11,650.

16 Q. And are these well costs in line with the costs
17 of other wells drilled to this depth in this area of New
18 Mexico?

19 A. Unfortunately, yes. It's getting expensive.

20 Q. Do you request that Samson be named operator of
21 the well?

22 A. Yes, sir.

23 Q. And what overhead rates does Samson propose?

24 A. In the JOA delivered to BP it's \$5500 for
25 drilling and then \$550 a month for operations and

1 production.

2 Q. And are these rates equivalent or lower than
3 those charged by other operators in this area for wells of
4 this depth?

5 A. They're lower, actually lower.

6 Q. Was BP notified of this hearing?

7 A. Yes, sir.

8 Q. And is that reflected in the affidavit of notice
9 submitted as Exhibit 4?

10 A. Yes, sir.

11 Q. Were Exhibits 1 through 4 prepared by you or
12 under your supervision or compiled from company business
13 records?

14 A. Yes, sir, they were.

15 Q. And in your opinion is the granting of this
16 Application in the interests of conservation and the
17 prevention of waste?

18 A. Yes, sir, it is.

19 MR. BRUCE: Mr. Examiner, I'd move the admission
20 of Exhibits 1 through 4.

21 EXAMINER JONES: Exhibits 1 through 4 will be
22 admitted into evidence.

23 EXAMINATION

24 BY EXAMINER JONES:

25 Q. Mr. Land, the pool you're going for is the Osudo-

1 Morrow; is that right?

2 A. Yes, sir, it's a Morrow test.

3 Q. It looks like you've got an Undesignated Wilson-
4 Wolfcamp gas down a little bit south and a little bit west
5 of you too, from my investigations, and that Barnett shale
6 is right below the Morrow, I take it?

7 A. Yes, sir.

8 Q. Kind of equivalent to the Chester?

9 A. Yes, sir.

10 Q. How do you define good faith negotiations?

11 A. I've talked with Tom off and on since
12 September --

13 MR. BRUCE: Tom Furtwangler?

14 THE WITNESS: Yeah, Furtwangler. He's a senior
15 landman with BP. We've had telephone conversations,
16 written notice request, e-mails back and forth, try to make
17 a trade on -- Basically, I went through whatever I could to
18 get their team to accept the trade, and every time we came
19 back it was something I couldn't do.

20 The Eddy County trade was on some working
21 interest we had, and it was an ongoing prospect already
22 with other engineer and other landmen, and I couldn't break
23 that lease.

24 So basically what we're looking for is a partner.
25 We just wanted a 50-percent heads-up partner to go drill

1 the well and share, and they just couldn't come around on
2 their side of it. So I think for the last 90 days trying
3 to get something done -- and it's been constant -- it's
4 been constant -- at least once or twice a week, we try to
5 get something worked out, and it just hasn't come around.
6 That's the biggest part of it. They haven't said no, but
7 they just haven't accepted anything.

8 Q. (By Examiner Jones) If they were trying to pool
9 you, what would -- for you to qualify as good faith
10 efforts, what would you -- what would be the minimum
11 criteria?

12 A. Right now, we'd probably participate with them.
13 I mean, if they came -- if they owned their northeast
14 quarter and suggested a location on that, we'd participate
15 with them.

16 Q. Oh, really?

17 A. Yeah.

18 Q. Okay, I --

19 A. As a matter of fact, we've got -- several miles
20 to the north, Unit -- I believe Unit Petroleum is trying to
21 drill a well, and we're participating with them right now.

22 Q. Okay. Okay, the letter we got here is just a
23 notice of a compulsory pooling. Let's see, do we have a --
24 we have the September 15th letter.

25 A. Yes, sir.

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EXAMINER JONES: Okay. Mr. Brooks?

MR. BROOKS: No questions.

EXAMINER JONES: Thanks a lot, Mr. Land.

That being all in this case, we'll take Case
13,838 under advisement.

(Thereupon, these proceedings were concluded at
9:51 a.m.)

* * *

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

_____, Examiner
Oil Conservation Division

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 17th, 2006.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2010