

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:)

APPLICATION OF ENERGEN RESOURCES)
 CORPORATION FOR COMPULSORY POOLING,)
 SAN JUAN COUNTY, NEW MEXICO)

CASE NO. 13,860

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Jr., Hearing Examiner

January 18th, 2007

Santa Fe, New Mexico

2007 FEB 1 AM 9

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Jr., Hearing Examiner, on Thursday, January 18th, 2007, 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

January 18th, 2007
 Examiner Hearing
 CASE NO. 13,860

PAGE

APPLICANT'S WITNESS:

DAVID M. POAGE (Landman)

Direct Examination by Mr. Hall

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Examination by Examiner Brooks

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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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A P P E A R A N C E S

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 8:42 a.m.:

3 EXAMINER BROOKS: Call Case Number 13,860, the
4 Application of Energen Resources Corporation for compulsory
5 pooling, San Juan County, New Mexico.

6 Call for appearances.

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

11 EXAMINER BROOKS: Witness may be sworn -- Or, are
12 there any other appearances?

13 Witness may be sworn.

14 (Thereupon, the witness was sworn.)

15 EXAMINER BROOKS: You may proceed, Mr. Hall.

16 DAVID M. POAGE,
17 the witness herein, after having been first duly sworn upon
18 his oath, was examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. HALL:

21 Q. For the record, sir, please state your name.

22 A. David Poage.

23 Q. Mr. Poage, where do you live and by whom are you
24 employed?

25 A. I live in Farmington, New Mexico, and am employed

1 by Energen Resources Corporation.

2 Q. In what capacity?

3 A. I'm a district landman.

4 Q. And you've previously testified before the
5 Division and had your credentials as an expert petroleum
6 landman established as a matter of record; is that correct?

7 A. That's correct.

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

11 A. Yes.

12 MR. HALL: At this point, Mr. Examiner, we'd
13 offer Mr. Poage as an expert petroleum landman witness.

14 EXAMINER BROOKS: He is so qualified.

15 Q. (By Mr. Hall) Would you please briefly explain
16 to the Hearing Examiner what it is Energen seeks by its
17 Application?

18 A. Well, what we'd like to do is to do a compulsory
19 pooling because we have one party involved in our well we
20 can't get a response out of.

21 Q. Okay, would you identify the well and the acreage
22 dedicated to the well and the footage location?

23 A. The well is the Richardson Number 100. It's a
24 Fruitland Coal formation well. The communitized area will
25 be the east half of Section 2, 27 North, 13 West, San Juan

1 County, New Mexico.

2 Q. All right, let's refer to Exhibit A -- I'm sorry,
3 it's marked as Exhibit 1 at the bottom there, and if you
4 would identify the ownership you seek to pool today.

5 A. This particular plat shows the east half of
6 Section 2. The ownership in the northeast quarter is
7 Energen Resources, 100 percent. The west half of southeast
8 quarter -- or southeast quarter is Energen, 100 percent.
9 The east half of southeast quarter, Energen owns 58
10 percent, J.R. Royall owns 25 percent, and Bennett
11 Industries owns 16.67 percent, and Bennett Industries is
12 the party we can't get the response from.

13 Q. All right, let's look at Exhibit 2. Would you
14 explain to the Hearing Examiner the working interest
15 ownership that Energen controls?

16 A. Energen owns 89.57-percent interest in this well.
17 John Royall owns 6.25 percent, and Bennett 4.17 percent.
18 The joining parties in the well are Energen Resources
19 Corporation and John Royall.

20 Q. All right. Would you explain to the Hearing
21 Examiner the efforts you've made to secure the voluntary
22 participation of the Bennett interests?

23 A. Well, we furnished a letter dated July 19th,
24 2006, to Bennett, along with a proposed AFE, an operating
25 agreement and a communitization agreement.

1 Q. Is that what are marked as Exhibit Number 3?

2 A. Yes, it is.

3 Q. Did you get any response to this letter at all?

4 A. We've had absolutely no response at all.

5 Q. Okay. Attached to your letter, Exhibit 3, is the
6 AFE. Would you review the well costs for the Examiner?

7 A. The total well costs for this Fruitland Coal
8 formation are \$400,241.50.

9 Q. And are those costs in line with what's being
10 charged by operators in the area for similar Fruitland Coal
11 wells?

12 A. Yes.

13 Q. And what is Energen's overhead rates for drilling
14 and producing the well?

15 A. For the operating agreement we provided to both
16 parties, which Royall has joined in and Bennett hasn't
17 responded to, provides for a \$5000-per-month drilling well
18 rate and a \$570-per-month producing well rate.

19 Q. Are you asking that those rates be incorporated
20 in any order that issues by the Division in this case?

21 A. Yes, I am.

22 Q. Are you also seeking the imposition of a 200-
23 percent risk penalty against the unjoined working
24 interests?

25 A. Yes.

1 Q. And is Energen seeking to be designated operator
2 of the well?

3 A. Yes.

4 Q. In your opinion, Mr. Poage, has Energen made a
5 good faith effort to secure the voluntary participation of
6 the Bennett interest?

7 A. Yes, we have.

8 Q. Were Exhibits 1 through 3 prepared by you and at
9 your direction?

10 A. Yes.

11 MR. HALL: At this point, Mr. Examiner, we would
12 move the admission of Exhibits 1 through 3, as well as
13 Exhibit 4, which was our notice affidavit.

14 And I would point out that notice was not issued
15 timely for this hearing date, so we would also ask that the
16 matter be kept on the Division's docket until the February
17 1st hearing docket.

18 EXAMINER BROOKS: Okay. Does that conclude your
19 examination?

20 MR. HALL: That concludes our case, Mr. Examiner.

21 EXAMINER BROOKS: So you're offering Exhibits 1
22 through 4?

23 MR. HALL: Yes, sir.

24 EXAMINER BROOKS: Exhibits 1 through 4 will be
25 admitted.

EXAMINATION

BY EXAMINER BROOKS:

Q. You probably covered this, but it's not in my mind at the moment. What follow-up did you do to the July 19th letter that you received no response?

A. We've made a couple of phone calls since then, and we've got no response at all.

Q. Never been able to --

A. No phone calls back or no -- we can't get them on the phone.

Q. Never been able to talk to anyone?

A. Never been able to talk to a person.

EXAMINER BROOKS: Okay, very good. If there's nothing further, then Case Number 13,860 will be continued to the February 1 docket for the purpose of notice.

Excuse me, let me clarify that. Let's see, what did you do on the notice here?

MR. HALL: It's Exhibit 4, Mr. Examiner, and it didn't issue until January 5th.

EXAMINER BROOKS: Yeah, less than -- But you don't have to do a new notice for the February 1st docket, so I guess we ought to continue it to the February 15 docket.

MR. HALL: Well, I think this notice is sufficient for the February 1st docket.

1 EXAMINER BROOKS: Yeah, but this notice doesn't
2 say February 1st, and the Rule says that it must state the
3 time and place of the hearing. I don't know that I've run
4 into that exact situation before, but we'll continue Case
5 Number 13,860 to the February 15th docket.

6 MR. HALL: You're asking that we issue new
7 notice, apparently? We'll do that.

8 EXAMINER BROOKS: Yes, I think that should be
9 done.

10 MR. HALL: All right.

11 (Thereupon, these proceedings were concluded at
12 8:50 a.m.)

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16
17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
19 the Examiner hearing of Case No. 13860,
20 heard by me on Jan 18 2007
21 David K. Burt, Examiner
22 Oil Conservation Division
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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 January 19th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010