

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:)

AMENDED APPLICATION OF KAISER-FRANCIS)
OIL COMPANY FOR PROMULGATION OF SPECIAL)
POOL RULES FOR THE EAST HAPPY VALLEY-)
BONE SPRING POOL, FOR AN EXCEPTION TO)
THE GAS-OIL RATIO LIMITATION AND)
ASSIGNMENT OF A SPECIAL DEPTH BRACKET)
ALLOWABLE, EDDY COUNTY, NEW MEXICO)

CASE NO. 13,771
(Reopened)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

March 15th, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Hearing Examiner, on Thursday, March 15th, 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.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

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I N D E X

March 15th, 2007
Examiner Hearing
CASE NO. 13,771

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E X H I B I T S

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit 21 | 7 | 7 |
| Exhibit 22 | 7 | 7 |

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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:

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Santa Fe, New Mexico 87501
By: J. SCOTT HALL

FOR HAYES LAND AND PRODUCTION, L.P.,
and JAMES CLEO THOMPSON:

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

* * *

1 WHEREUPON, the following proceedings were had at
2 9:12 a.m.:

3 EXAMINER JONES: And let's call Case 13,771,
4 which is reopened. It's an amended Application of Kaiser-
5 Francis Oil Company for promulgation of special pool rules
6 for the East Happy Valley-Bone Spring Pool, for an
7 exception to the gas-oil ratio limitation and assignment of
8 a special depth bracket allowable, Eddy County, New Mexico.

9 Call for appearances.

10 MR. HALL: Mr. Examiner, Scott Hall, Miller
11 Stratvert law firm, Santa Fe, on behalf of Kaiser-Francis
12 Oil Company.

13 EXAMINER JONES: Other appearances?

14 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
15 representing Hayes Land and Production, L.P., and also
16 James Cleo Thompson.

17 EXAMINER JONES: There were two James Cleo
18 Thompsons in that --

19 MR. BRUCE: Yeah, it's a --

20 EXAMINER JONES: Okay.

21 MR. BRUCE: -- it's a limited partnership --

22 EXAMINER JONES: Okay.

23 MR. BRUCE: -- a longer name than I remember
24 right now.

25 MR. BROOKS: J. Cleo Thompson and J. Cleo

1 Thompson, Jr., I believe.

2 MR. BRUCE: Correct.

3 MR. BROOKS: There's an entity that they --

4 MR. BRUCE: There's an entity --

5 MR. BROOKS: -- both have.

6 MR. HALL: Mr. Examiner, this case was heard on
7 September 16th last year. The original Application filed
8 for the case asked for special pool rules establishing 320-
9 acre spacing units for the Bone Spring formation.

10 At the hearing itself we presented a case for
11 160-acre standup units, and subsequent to the actual
12 hearing we filed an amended application to do that,
13 provided additional notice.

14 And I believe in February of this year you had
15 requested additional information, you asked for a casing
16 bond log and survey information.

17 You also asked that we provide some explanation
18 about notification of the interest owners in the east half
19 of the west half of the section, who would be excluded from
20 the standup unit that would be dedicated to the existing
21 well operated by Kaiser-Francis.

22 We did that, we provided you with a list
23 outlining all of the interest owners in the east half of
24 the west half of that section. There are some -- 50, 51, I
25 believe -- This well must be located in downtown Carlsbad;

1 there are approximately 38 tracts that comprise the east
2 half, west half.

3 In the course of that exercise where we verified
4 notice for you, we identified one interest owner that we
5 had missed. It was a royalty interest owner. Their names
6 are Miller, and they are identified in the new affidavit.
7 We simply renotified them again.

8 We also got some updated address information for
9 several of the previously unlocatable mineral interest
10 owners for the Brazeal family.

11 We also took the precaution of renotifying the
12 offset operators, Devon and Chi. Did that notification for
13 this hearing date. We've received no response from anyone.

14 With that, Mr. Examiner, I'd move the admission
15 of Exhibit 21, which is my notice affidavit and copies of
16 the new notice letters.

17 I also have available to you, if you like, a list
18 providing you with an update of the status of notification
19 to each of the interest owners, royalty, overrides and
20 working interest owners in the east half, west half of this
21 section.

22 EXAMINER JONES: You say you have that if we're
23 -- if we request it?

24 MR. HALL: If you like, I'll give that to you
25 right now.

1 EXAMINER JONES: Thank you. That will be an
2 addition to the records in this case. And this is Exhibit
3 Number 21?

4 MR. HALL: It is the affidavit.

5 If you'd like me to move this, I could mark this
6 as Exhibit 22. It's the status list.

7 EXAMINER JONES: Okay, let's mark -- let's admit
8 this last -- this status list as Exhibit Number 22, and it
9 would be Kaiser-Francis Exhibit 22.

10 MR. HALL: We'd move its admission as well.

11 EXAMINER JONES: Okay, and Marbob was only
12 concerned with the stuff over to the west. I guess they
13 weren't involved in this re-noticing, so they didn't make
14 another --

15 MR. HALL: They entered an appearance and
16 participated at the hearings.

17 EXAMINER JONES: At the hearings.

18 MR. HALL: Their attorneys --

19 EXAMINER JONES: Okay, thank you very much.

20 With that, we'll take Case 13,771 -- and actually
21 there was a -- just that case under advisement. And both
22 cases, I'll try to get them out early next week.

23 (Thereupon, these proceedings were concluded at
24 9:18 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 _____.

25 * * *

_____, Examiner

Oil Conservation Division

STEVEN T. BRENNER, CCR
(505) 989-9317

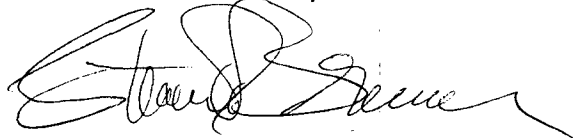
CERTIFICATE OF REPORTER

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 March 18th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010