

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 MARBOB ENERGY)
 CORPORATION FOR COMPULSORY POOLING,)
 EDDY COUNTY, NEW MEXICO)

CASE NO. 13,909

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

May 24th, 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, May 24th, 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

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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:

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

* * *

1 WHEREUPON, the following proceedings were had at
2 10:32 a.m.:

3 EXAMINER JONES: Okay, let's go back on the
4 record, and let's call Case 13,909, which is continued from
5 May the 10th, Application of Marbob Energy Corporation for
6 compulsory pooling, Eddy County, New Mexico.

7 Call for appearances.

8 MS. MUNDS-DRY: Good morning, Mr. Hearing
9 Examiner, Ocean Munds-Dry for Marbob Energy Corporation.
10 I'm presenting this case by affidavit.

11 EXAMINER JONES: Any other appearances?

12 MS. MUNDS-DRY: Mr. Examiner, Marbob is
13 requesting an order pooling the mineral interest owners in
14 Section 14, Township 22 South, Range 26 East, Eddy County,
15 New Mexico. All mineral owners have agreed to voluntarily
16 commit their interests to the proposed unit area. There's
17 one remaining issue with the Taxation and Revenue
18 Department.

19 And Exhibit Number 1 is the affidavit Ross
20 Duncan, who discusses the project.

21 And before I get into the issue, Attachment A is
22 a plat of the subject land, showing the proposed spacing
23 unit and the proposed well location.

24 Marbob proposes to dedicate its Commode Hugger
25 Fee Com Well Number 1 to the proposed spacing unit, which

1 will be drilled at a location 660 feet from the south line
2 and 1850 from the west line.

3 Attachment B lists the percentage of working
4 interests in the proposed spacing unit. There's actually
5 two versions of this, showing you the percentage of working
6 interest owners as committed to the spacing unit.

7 Attachment C is a copy of the well proposal
8 letter that was sent to the Taxation and Revenue
9 Department. This is the last letter that was sent to the
10 Taxation Department. And also you will note in Mr.
11 Duncan's affidavit the efforts that Marbob undertook to
12 gain the Taxation Department's voluntary interest. As Mr.
13 Duncan notes, several telephone calls were made. They
14 faxed the tax deed to the Department as proof that the
15 State owned the interest.

16 The issue here, essentially, is, the Department
17 does claim to own the interest. But they have, as you
18 know, no ability to either lease or voluntarily commit
19 their interest. The way they propose to deal with their
20 interest is to put it up for auction, but apparently it's a
21 fairly complicated process. And Mr. Lujan, who Mr. Duncan
22 has been speaking with at the Taxation Department, says it
23 may take up to four years to get their interest auctioned.

24 So in the meantime, Marbob is at a loss,
25 essentially, for trying to get their voluntary commitment.

1 I think the Taxation Department, frankly, is also sort of
2 at a loss as to what to do as well. So this, as I said, is
3 their last communication.

4 And Attachment D, which -- I don't have it in my
5 copy, hopefully you do in yours -- is the AFE.

6 EXAMINER JONES: Yeah, I --

7 MS. MUNDS-DRY: Do you have Attachment D, Mr.
8 Jones --

9 EXAMINER JONES: Yes.

10 MS. MUNDS-DRY: -- that shows the dryhole and
11 completed well costs?

12 EXAMINER JONES: Yes.

13 MS. MUNDS-DRY: And also Marbob proposes overhead
14 charges of \$5050 per month while drilling and \$505 per
15 month while producing.

16 EXAMINER JONES: \$5500 while drilling?

17 MS. MUNDS-DRY: \$5050.

18 EXAMINER JONES: \$5050.

19 MS. MUNDS-DRY: And then \$505 while producing.

20 And then Attachment E to the affidavit is a
21 notice affidavit from Mr. Carr showing that notice was
22 given in accordance with Division Rules, a copy of the
23 notice letter, a copy of the affidavit of publication.
24 This Application was originally brought to pool other
25 interest owners. The Taxation Department is the only

1 remaining owner who Marbob seeks to pool, and this does
 2 show that they were given notice of this Application, and
 3 the green card is attached there for your reference.

4 Marbob seeks to be designated the operator of the
 5 well in the spacing unit, and as Mr. Duncan testifies in
 6 his affidavit, approval of this Application will avoid the
 7 drilling of unnecessary wells, will prevent waste, will
 8 protect correlative rights and allow Marbob and the other
 9 interest owners in the west half of Section 14 to obtain
 10 their just and fair share of the underlying subject lands.

11 And with that, I would ask that Exhibit Number 1
 12 and its attachments be admitted into evidence.

13 EXAMINER JONES: Exhibit Number 1 and its
 14 attachments -- that's through Attachment E, I guess --

15 MS. MUNDS-DRY: Yes, sir.

16 EXAMINER JONES: -- will be admitted to evidence.

17 MS. MUNDS-DRY: And I have nothing further.

18 EXAMINER JONES: Okay.

19 MR. BROOKS: No questions.

20 EXAMINER JONES: I don't think we have any
 21 questions.

22 MS. MUNDS-DRY: Thank you.

23 (Thereupon, these proceedings were concluded at
 24 10:38 a.m.)

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

STEVEN T. BRENNER, CCR, Examiner
 (505) 989-9317
 Oil Conservation Division

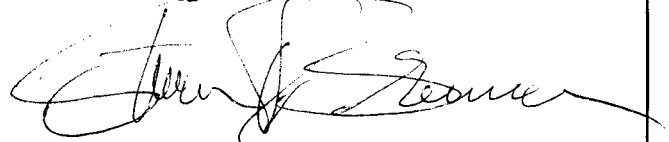
CERTIFICATE OF REPORTER

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 May 28th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010