

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

**RECEIVED**

OCT 2 2003

Oil Conservation Division  
CASE NO. 13,148

IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION DIVISION FOR THE )  
PURPOSE OF CONSIDERING: )

APPLICATION OF ROCA OPERATING, INC., )  
FOR COMPULSORY POOLING, LEA COUNTY, )  
NEW MEXICO )

**ORIGINAL**

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

September 18th, 2003

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, September 18th, 2003, 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

September 18th, 2003  
Examiner Hearing  
CASE NO. 13,148

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\* \* \*

## E X H I B I T

Applicant's	Identified	Admitted
Exhibit 1	3	5

\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

GAIL MacQUESTEN  
Deputy 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 8:55 a.m.:

3 EXAMINER JONES: With that, we'll call Case  
4 13,148, Application of Roca Operating, Incorporated, 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 do not have any witnesses.  
9 I have a short statement.

10 EXAMINER JONES: Any other appearances? Okay, go  
11 ahead, Mr. Bruce.

12 MR. BRUCE: Mr. Examiner, this Application  
13 involves force pooling of an existing well that has been  
14 recompleted in the Morrow formation. There are a couple of  
15 different leases involved, and in order to communitize them  
16 the Applicant needs to obtain not only the signatures of  
17 the working interest owners but also the record title  
18 owners of the state leases.

19 I've handed you as Exhibit 1 a portion of a title  
20 opinion prepared for Applicant. The pertinent state lease  
21 involved is Lease LG-2484, which covers the northwest  
22 quarter.

23 There are two record title owners. On the final  
24 page of this exhibit it highlights a couple of assignments.  
25 Basically, the record title is owned equally by Hamon

1 Operating Company, which I believe is now called Hamon Oil  
2 Company -- or no, excuse me, it is Hamon. Hamon Operating  
3 Company and Hilliard Oil and Gas, Inc. Neither of them  
4 owns any working interest in the well, and therefore they  
5 have no revenue from the well, but they are still required  
6 under State Land Office regulations to sign the  
7 communitization agreement.

8 My client wrote to Hamon Operating Company and  
9 they said, We don't own any interest, we're not going to  
10 sign anything. And Hilliard Oil and Gas, they have not  
11 been able to locate a good address for them. I have an  
12 affidavit somewhere -- I must digress for a minute.

13 I'm moving my office, and this file has been  
14 mixed up somewhere in my -- it's currently in a basement  
15 somewhere, and I need to pull it out. But I did have this.  
16 And I will submit an affidavit from my client as Exhibit  
17 Number 2, stating what they have done to locate these  
18 people.

19 But the long and the short of it is, we need to  
20 force pool these record title owners, which the State Land  
21 Office will accept in lieu of a signature for  
22 communitization purposes.

23 I also notified the interest owner. That is also  
24 down in my basement, and I could not locate it over the  
25 last couple of days. I think I will have it by this

1 weekend.

2           So I would request that I be allowed to submit  
3 the affidavit and the notice exhibit as Exhibits 2 and 3  
4 within the next week. I know approximately where they are,  
5 but I wasn't able to dig them up. But we would request  
6 that a force pooling order be entered on this matter.  
7 Obviously, since the parties own no working interest in the  
8 well, a penalty on production is not necessary, and really  
9 just all we need to do is pool their record title interest.  
10 I have obtained similar orders over the past year. I think  
11 Mr. Brooks was the Hearing Examiner, so he has entered  
12 similar orders.

13           And with that I would move the admission of  
14 Exhibit 1, and then I would ask that I be allowed to submit  
15 the final two exhibits within the next week.

16           EXAMINER JONES: Okay, that's fine on Exhibits 2  
17 and 3, and Exhibit 1 will be admitted to evidence.

18           So there is no on-site working interest owners,  
19 it's only record title?

20           MR. BRUCE: Yeah, for -- Those record title  
21 owners at some time in the past assigned out their working  
22 interest and just -- but in the State's -- the Land Office  
23 records --

24           EXAMINER JONES: They have to also sign?

25           MR. BRUCE: Yeah, they still own record title,

1 but nothing else, which is happening more and more.

2 EXAMINER JONES: Okay, I think I know the type of  
3 compulsory pooling we're talking about here.

4 The name of the well is correct?

5 MR. BRUCE: Yes.

6 EXAMINER JONES: And the location is correct?

7 MR. BRUCE: Yes.

8 EXAMINER JONES: And the well has already been  
9 completed?

10 MR. BRUCE: I think the well is a number of years  
11 old, and it was just recently completed or recompleted in  
12 the Morrow.

13 EXAMINER JONES: Okay. And this North Quail  
14 Ridge-Morrow Gas Pool is under statewide rules?

15 MR. BRUCE: Yes, I did check that.

16 EXAMINER JONES: Okay, that's all the questions I  
17 have. Gail, do you have any questions?

18 MS. MacQUESTEN: No, I don't.

19 MR. BRUCE: That's all I have.

20 EXAMINER JONES: Thanks very much, Mr. Bruce.

21 With that, Case 13,148 will be taken under  
22 advisement.

23 (Thereupon, these proceedings were concluded at  
24 9:00 a.m.)

25

\* \* \*

I do hereby certify that the foregoing is  
a complete record of the proceedings of  
the Examiner hearing of Case No. 13148  
heard by me on 9/5/03

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

Examiner

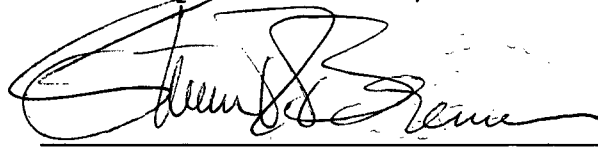
## CERTIFICATE OF REPORTER

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 September 19th, 2003.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006

STUBBEMAN, McRAE, SEALY, LAUGHLIN & BROWDER, INC.

ATTORNEYS AT LAW

MIDLAND, TEXAS

FASKEN CENTER • TOWER TWO  
550 WEST TEXAS AVENUE, SUITE 800 • 79701

P.O. BOX 1540 • 79702

432/682-1616

FACSIMILE 432/682-1351  
FACSIMILE 432/682-4884

ALLEN G. HARVEY  
LICENSED IN TEXAS AND NEW MEXICO  
DIRECT DIAL 688-0290  
aharvey@stubbemanlawfirm.com

July 24, 2003

ORIGINAL DIVISION ORDER TITLE OPINION

Roca Resource Company, Inc.  
P. O. Box 2818  
Midland, TX 79702

Attn: Mr. John Hillman

Re: The hydrocarbons producible from the communitized Morrow formation underlying the following oil and gas leases covering the lands indicated in Township 18 South, Range 33 East, N.M.P.M., LEA COUNTY, NEW MEXICO:

State of New Mexico Lease LG-2484 insofar as it covers the following:

containing 160 acres, more or less.

State of New Mexico Lease V-697 insofar as it covers the following:

Section 36: NE/4;

containing 160 acres, more or less;

Said lands collectively comprising the N/2 of Section 36, containing 320 acres, more or less, and limited to production from the New Mexico "36" State Com Well No. 1.

(Your New Mexico "36" State Com Well No. 1)

Gentlemen:

At your request, we have examined the following:

PRIOR TITLE OPINIONS

1. Copy of Title Opinion dated February 29, 1984 addressed to Sun Exploration & Production Company prepared by Jennings & Christy covering all of Section 36 based upon abstracts covering the period from inception of the records to February 20, 1984 at 8:00 a.m. as to the records of the Offices of the Commissioner of Public Lands of the State of New Mexico and February 24, 1984 at 7:00 a.m. as to the records of Lea County, New Mexico.

2. Copy of Title Opinion dated January 28, 1985 addressed to Hamon Oil Company and Sun Exploration & Production Company prepared by Jennings & Christy based upon Title Opinion No. 1 above and abstracts together covering captioned land for the period from inception of the records to January 8, 1985 at 8:00 a.m. as to the records of the Offices of the Commissioner of Public Lands of the State of New Mexico and January 9, 1985 at 7:00 a.m. as to the records of Lea County, New Mexico.

ABSTRACTS

1. Abstract No. 51836 certified by Federal Abstract Company as covering the records of the Offices of the Commissioner of Public Lands of the State of New Mexico affecting the oil and gas mineral rights to the W/2 of Section 36 under Lease LG-2484 for the period from February 20, 1984 at 8:00 a.m. to October 5, 1995 at 8:00 a.m., containing 74 pages.

2. Abstract No. 51809 certified by Federal Abstract Company as covering the records of the Offices of the Commissioner of Public Lands of the State of New Mexico affecting the oil and gas mineral



Roca Exploration, Ltd.	$  \begin{aligned}  &55\% \times 1/2 \times [1/2 \times 5/6 \\  &\quad \text{less} \\  &1/2 \times 1.66667\% \text{ (Rockhill)} \\  &\quad \text{plus} \\  &.2544288 \text{ (Hamon/Chapell)} \\  &\quad \text{less} \\  &.0063296 \text{ (Free, et al.)}] \\  &\text{---} \\  &\quad \text{plus} \\  &55\% \times 1/2 \times .4215443 \times [1/2 \times 5/6 \\  &\quad \text{less} \\  &1/2 \times 1.66667\% \text{ (Rockhill)} \\  &\quad \text{plus} \\  &.2544288 \text{ (Hamon/Chapell)} \\  &\quad \text{less} \\  &.0063296 \text{ (Free, et al.)}] \\  &\text{---} \\  &55\% \times [(.00377359/.0945849 \times .12 \times 7/8 \times 1/2) \\  &\quad \text{plus} \\  &(.00377359/.0945849 \times .12/.53 \times .47 \times .65 \times .80 \times \\  &\quad 1/2)] \\  &\text{---} \\  &\quad \text{plus} \\  &55\% \times 1/3 \times [(.01886792/.0945849 \times .12 \times 7/8 \times 1/2) \\  &\quad \text{plus} \\  &(.01886792/.0945849 \times .12/.53 \times .47 \times .65 \times .80 \times \\  &\quad 1/2)] \\  &\text{---} \\  &\quad \text{plus} \\  &55\% \times 1/2 \times .5784557 \times [1/2 \times 5/6 \\  &\quad \text{less} \\  &1/2 \times 1.66667\% \text{ (Rockhill)} \\  &\quad \text{plus} \\  &.2544288 \text{ (Hamon/Chapell)} \\  &\quad \text{less} \\  &.0063296 \text{ (Free, et al.)}] \\  &\text{---} \\  &\quad \text{less} \\  &.0670335 \text{ (Maverick)} \\  &\text{---} \\  &\quad \text{plus} \\  &1/3 [(.00377359/.0945849 \times .12 \times 7/8 \times 1/2) \\  &\quad \text{plus} \\  &(.00377359/.0945849 \times .12/.53 \times .47 \times .65 \times .80 \times \\  &\quad 1/2)]  \end{aligned}  $	.3039486 WI
Kaiser-Francis Oil Company	.41 x .35 x .80 x 1/2	.0574000 WI
Mexco Energy Corporation	.06 x .35 x .80 x 1/2	.0084000 WI

**EXISTING OIL AND GAS LEASES**

**Note:** Our analysis of Lease LG-2484 is derived entirely from the prior title opinions examined.

**Lease No. 1:**

Serial No.: LG-2484.

Date: January 1, 1975.

Recorded: Book 292, page 138, Oil and Gas Records.

Lessor: The State of New Mexico acting by and through its Commissioner of Public Lands.

Lessee: Chalfant, Magee & Hansen, Inc.

Land Covered: W/2 of Section 36, containing 320 acres, more or less.

Primary Term: For an initial period of five years and a secondary period of an additional five years and so long thereafter as oil or gas is produced in paying quantities.

Annual Rentals: Annual rentals in the amount of \$1.00 per acre are payable on or before January 1, 1976 and annually thereafter regardless of drilling operations or production from the lands covered by the lease. It appears that the lease was incapable of producing in paying quantities at the end of the primary term because annual rentals in the amount of \$2.00 per acre have been paid annually since January 1, 1980.

Royalties: 1/8 on oil and gas.

Lease Form: 72.

Lease Status: Annual rentals in the amount of \$640.00 have been paid to January 1, 2004.

**Lease No. 2:**

Serial No.: V-697.

Date: April 1, 1983.

Recorded: Book 362, page 328, Oil and Gas Records.

Lessor: The State of New Mexico acting by and through its Commissioner of Public Lands.

Lessee: Sun Exploration & Production Company.

Land Covered: E/2 of Section 36, containing 320 acres, more or less.

Primary Term: Five years from date.

Annual Rentals: Annual rentals in the amount of \$.25 per acre are payable on or before April 1, 1984 and annually thereafter regardless of drilling operations or production from the leased premises.

Royalties: 1/6 on oil and gas.

Shut-In Gas Well Royalties: On or before the annual rental paying date next ensuing after the expiration of ninety days from the date a well is shut-in and annually thereafter, lessee shall pay an annual royalty equal to the annual rental payable by the owner of the lease under the terms of the lease but not less than \$100.00 per well per year. Notwithstanding the foregoing, this lease shall not be continued after five years from the date of the lease for any period of more than five years by the payment of said annual royalty.

Lease Form: 5-77.

Lease Status: Annual rentals in the amount of \$80.00 have been paid to April 1, 2004.

### ASSIGNMENTS

Set forth below are the assignments contained in the abstracts examined:

1. By Assignment of Record Title dated June 15, 1984, effective January 1, 1984, approved by the Commissioner of Public Lands effective July 30, 1984, recorded in Book 374, page 374, Oil and Gas Records, Jake L. Hamon and wife, Nancy Blackburn Hamon, and Hilliard Oil & Gas, Inc. assigned to [REDACTED] and [REDACTED] of [REDACTED]

2. By Assignment of Record Title [REDACTED] effective July 1, 1985, approved by the Commissioner of Public Lands effective October 9, 1985, Hamon Oil Company and Hilliard Oil & Gas, Inc. assigned to Hamon Operating Company and [REDACTED] the record title interest in [REDACTED]. A counterpart to this assignment is recorded in Book 421, page 323, Deed Records.

3. By Assignment dated October 1, 1985, recorded in Book 422, page 756, Deed Records, Don O. Chapell, without the joinder of his wife, assigned to Don O. Chapell, Inc. all property in Lea County, New Mexico.

4. By Assignment dated August 27, 1985, recorded in Book 451, page 553, Miscellaneous Records, Hamon Operating Company assigned to Robert L. Spears an overriding royalty interest equal to 1/64 of the net interest of Hamon Operating Company by virtue of Lease LG-2484 covering the W/2 of Section 36 and Operating Agreement dated June 1, 1984 covering the lands described in Exhibit "A" only insofar as the lease described above contributes to the interest of Hamon Oil Company, its successors and assigns under the joint operating agreement. We note that there is no Exhibit "A" attached to this assignment.

5. By Assignment dated July 1, 1985, recorded in Book 395, page 179, Oil and Gas Records, Hilliard Oil & Gas, Inc. assigned to Kaiser-Francis Oil Company all of its interest in the captioned leases stating that its interest in the New Mexico "36" State Com #1 Well was a .060838 after payout operating interest, a .017083 net revenue interest before payout, and a .064232 after payout net revenue interest. This assignment is subject to the Operating Agreement dated June 1, 1984 with Sun Exploration & Production Company covering all of Section 36; a separate Joint Operating Agreement dated June 1, 1984 with Hamon Oil Company covering the N/2 of Section 36; a Communitization Agreement dated July 2, 1984 covering the N/2 of Section 36; a Farmout Agreement dated January 28, 1985 between Hamon Oil Company and Hilliard Oil & Gas, Inc., and a separate Farmout Agreement dated January 10, 1985 between Sun Oil Company and Hilliard Oil & Gas, Inc.

6. By Assignment of Record Title dated June 10, 1986, approved by the Commissioner of Public Lands effective August 27, 1986, Sun Exploration & Production Company assigned to Sun Operating Limited Partnership all of the record title interest in Lease V-697. A certificate regarding this conveyance is recorded in Book 564, page 346, Miscellaneous Records.

7. By Assignment dated March 10, 1987, recorded in Book 479, page 25, Miscellaneous Records, Hamon Operating Company assigned to Dwight A. Free, Jr. an overriding royalty interest in and to the oil, gas and other hydrocarbons in, under and produced, saved and marketed from the New Mexico "36" State Com #1 Well located in the NW/4 NE/4 of Section 36, stating that the overriding royalty interest assigned is a .0037282 before payout and .0025848 after payout.

Payout is to be calculated on a well-by-well basis and shall be the first point in time as to any particular well that assignor has recovered from the gross proceeds of working interest production attributable to such well, after deducting all severance, property, windfall profit and production taxes, royalty, overriding royalty and other leasehold burdens presently affecting the interest assigned to assignee and also deducting all cost and expense of operating and maintaining said well during the payout period, an amount equal to 100% of the cost and expenses of drilling, testing, completing and equipping the well. In this assignment, the assignor reserved the right to pool the overriding royalty interest.

8. By Assignment dated March 10, 1987, recorded in Book 479, page 94, Miscellaneous Records, Hamon Operating Company assigned to John E. Casey an overriding royalty interest in the oil, gas and other hydrocarbons in, under and produced, saved and marketed from the New Mexico "36" State Com #1 Well located in the NW/4 NE/4 of Section 36, with the overriding royalty interest assigned being a .0018641 interest before payout and a .0012924 interest after payout.

Payout is to be calculated on a well-by-well basis and shall be the first point in time as to any particular well that assignor has recovered from the gross proceeds of working interest production

# ROCA OPERATING, INC.

P.O. Box 1981, Midland, Texas

(432) 682-2554 Office

(432) 682-4081 Fax

---

August 19, 2003

~~Hamon Oil Company  
3900 Republic Bank Tower  
325 N. St. Paul  
Dallas, Texas 75201~~

Re: Communitization Agreement  
NE/4 and NW/4 Section 36, T18S, R33E,  
Lea County, New Mexico

Dear Ladies/Gentlemen:

Pursuant to the above referenced lands, please find enclosed herewith a Communitization Agreement for your execution. Please be advised that we are aware of the fact that you have sold all of your properties and do not operate. However, Hamon Oil Company is the Lessee of Record Title for the NW/4 of said Section 36, T18S, R33E, Lea County, New Mexico.

Upon your review and acceptance, please execute and return in the self-addressed envelope provided for herein.

If you should have any questions, please do not hesitate to call me.

Sincerely,  
ROCA Operating, Inc.

  
Candy Copeland

/cc

✓ cc: Mr. Jim Bruce  
607 East Palace  
Santa Fe, New Mexico 87501

OIL CONSERVATION DIVISION  
CASE NUMBER \_\_\_\_\_  
EXHIBIT 2

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ROCA OPERATING,  
INC. FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

Case No. 13148

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO            )  
                                      ) ss.  
COUNTY OF SANTA FE            )

James Bruce, being duly sworn upon his oath, deposes and states:

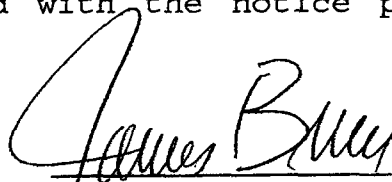
1. I am over the age of 18, and have personal knowledge of the matters set forth herein.

2. I am an attorney for Applicant.

3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the Application filed herein.

4. Notice of the Application was provided to the interest owners at their correct addresses by certified mail. Copies of the notice letter and certified return receipt are attached hereto as Exhibit A.

5. Applicant has complied with the notice provisions of Division Rule 1207.

  
James Bruce

SUBSCRIBED AND SWORN TO before me this 17th day of September, 2003, by James Bruce.

  
Notary Public

My Commission Expires:

3/12/05

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT

3

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE)  
(505) 982-2151 (FAX)

jamesbruce@aol.com

August 22, 2003

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

*Operating*  
Hamon Oil Company  
3900 Republicbank Tower  
325 North St. Paul  
Dallas, Texas 75201

Ladies and Gentlemen:

Enclosed is a copy of an application for compulsory pooling, filed with the New Mexico Oil Conservation Division by Roca Operating, Inc., regarding the N $\frac{1}{2}$  of Section 36, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico. This application is scheduled to be heard at 8:15 a.m. on Thursday, September 18, 2003 at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. As an interest owner in the well unit, you have the right to appear at the hearing and present evidence. Failure to appear at the hearing will preclude you from contesting this matter at a later date.

You are required to notify the Division, and the undersigned, by Friday, September 12, 2003, if you intend to enter an appearance and participate in the case.

Very truly yours,

*James Bruce*  
James Bruce

Attorney for Roca Operating, Inc.

<b>U.S. Postal Service<sup>TM</sup></b>		<b>CERTIFIED MAIL<sup>TM</sup> RECEIPT</b>		<b>OFFICIAL USE</b>	
<small>(Domestic Mail Only; No Insurance Coverage Provided)</small>		<small>For delivery information visit our website at www.usps.com</small>			
Postage	\$ 0.37	UNIT ID: 0560			
Certified Fee	2.30				
Return Receipt Fee (Endorsement Required)	1.75				
Restricted Delivery Fee (Endorsement Required)					
Total Postage & Fees	\$ 4.42				
Sent To		Hamon Oil Company			
Street, Apt. No., or PO Box No.		3900 Republicbank Tower			
City, State, ZIP+4		325 North St. Paul Dallas, Texas 75201			
		PS Form 3800, June 2002 See Reverse for Instructions			

1652 2869 E000 0101 E002



**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE)  
(505) 982-2151 (FAX)

jamesbruc@aol.com

**RECEIVED**

SEP 25 2003

**OIL CONSERVATION  
DIVISION**

September 22, 2003

Will Jones  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: Case 13148/Roca Operating, Inc.

Dear Mr. Jones:

Enclosed are copies of Exhibits 2 and 3, which were not available at hearing due to being misplaced during my move. Please call me if you have any questions.

Very truly yours,



James Bruce

cc: S. Brenner w/encls.