

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. 13,975

APPLICATION OF DEVON ENERGY PRODUCTION )  
COMPANY, LP, FOR COMPULSORY POOLING, )  
EDDY COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Jr., Technical Examiner  
DAVID K. BROOKS, Jr., Legal Examiner

September 20th, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Technical Examiner, DAVID K. BROOKS, Jr., Legal Examiner, on Thursday, September 20th, 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

RECEIVED  
2007 OCT 3 PM 1:53

## I N D E X

September 20th, 2007  
Examiner Hearing  
CASE NO. 13,975

	PAGE
APPEARANCES	3
APPLICANT'S WITNESS:	
<u>BRETT A. HUDSON</u> (Landman) Direct Examination by Mr. Bruce	4
REPORTER'S CERTIFICATE	11

\* \* \*

## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	5	9
Exhibit 2	6	9
Exhibit 3	7	9
Exhibit 4	8	9

\* \* \*

## 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 11:35 a.m.:

3 EXAMINER JONES: Okay, let's call Case 13,975,  
4 Application of Devon Energy Production Company, LP, for  
5 compulsory pooling, Eddy 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: Other appearances?  
10 Will the witness please stand to be sworn?  
11 (Thereupon, the witness was sworn.)

12 BRETT A. HUDSON,  
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. Brett Austin Hudson.

19 Q. Where do you reside?

20 A. Oklahoma City, Oklahoma.

21 Q. Who do you work for and in what capacity?

22 A. Devon Energy, and I'm a petroleum landman.

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

25 A. No, sir.

1 Q. Would you please summarize your educational and  
2 employment background for the Examiner?

3 A. Yes, sir. I graduated from the University of  
4 Oklahoma in 2005 with a degree in energy management and  
5 finance. During college I spent one summer working for  
6 Richardson Operating Company in the San Juan Basin, the  
7 second summer I spent working for Ankana Oil and Gas in  
8 Denver, and I've been employed by Devon for two years.

9 Q. Does your area of responsibility at Devon include  
10 this portion of southeast New Mexico?

11 A. Yes, sir.

12 Q. And are you familiar with the land matters  
13 involved in this case?

14 A. Yes, sir.

15 MR. BRUCE: Mr. Examiner, I'd tender Mr. Hudson  
16 as an expert petroleum landman.

17 EXAMINER JONES: Mr. Hudson is qualified as an  
18 expert petroleum landman.

19 Q. (By Mr. Bruce) Mr. Hudson, could you identify  
20 Exhibit 1 and describe what Devon seeks in this case?

21 A. Yes, sir. Exhibit 1 is a Midland Map Company.  
22 It's highlighting Section 22, the east half of 22, 19  
23 South, 31 East. And Devon is seeking an order to pool the  
24 east half of 22 from the surface to the base of the Barnett  
25 shale. We're also seeking to pool the southeast quarter

1 for 160-acre units and the northwest of the southeast of 22  
2 for 40-acre units.

3 Q. Is the east half of Section 22 covered by a  
4 single federal lease?

5 A. Yes, sir.

6 Q. And are all of the interests in that lease common  
7 as to the depths?

8 A. Yes, sir.

9 Q. What is the name of the proposed well?

10 A. The well will be the Arenoso 22 Fed Number 2, and  
11 it's going to be located in the northwest quarter of the  
12 southeast quarter of Section 22.

13 Q. What is specifically the working interest  
14 ownership in the well unit?

15 A. Devon and its partners have 75-percent working  
16 interest, and Shackelford Oil Company has the remaining 25  
17 percent.

18 Q. And is the only party being pooled Shackelford  
19 Oil Company?

20 A. Yes, sir.

21 Q. Could you identify Exhibit 2 for the Examiner?

22 A. Yes, Exhibit 2 is our well proposal we sent out,  
23 and it also has attached to it several correspondence  
24 letters between ourself -- between Devon and Shackelford  
25 Oil Company, and Devon make a request for farmout after he

1 had indicated he did not wish to participate in the well.

2 And we've also had around 20-plus phone calls to  
3 Mr. Shackelford concerning this matter, and he's even been  
4 to Oklahoma City and met with us in our offices to review  
5 the well proposal and go over several different trade  
6 ideas.

7 Q. Okay. But as of now you have not been able to  
8 come to terms satisfactory to Devon with Shackelford Oil  
9 Company?

10 A. No, sir.

11 Q. In your opinion, has Devon made a good-faith  
12 effort to obtain the voluntary joinder of the interest  
13 owner in the well?

14 A. Yes, sir.

15 Q. Would you identify Exhibit 3 for the Examiner and  
16 discuss the cost of the proposed well?

17 A. Yes, Exhibit 3 is the AFE for the drilling of  
18 this well. It's going to be a Morrow well. We're drilling  
19 -- objective is going to be the lower Morrow. And our  
20 dryhole costs are a little over \$2 million, completed costs  
21 are about \$3.3 million.

22 Q. And are these costs in line with the cost of  
23 other wells drilled to this depth in this area of New  
24 Mexico?

25 A. Yes, sir.

1 Q. Devon has and is drilling a number of wells in  
2 this township, is it not?

3 A. Oh, yes, yes, we have several wells in here.

4 Q. Has a good handle on well cost?

5 A. Oh, yes, sir, and this is the AFE we used for  
6 several other projects in the area.

7 Q. Do you request that Devon be appointed operator  
8 of the well?

9 A. Yes, sir.

10 Q. And what do you recommend as to the overhead  
11 rates?

12 A. \$6000 a month while the well is drilling and then  
13 \$600 per month while we're producing the well.

14 Q. And are these amounts in line with those normally  
15 charged by Devon and other operators in this area for wells  
16 of this depth?

17 A. Yes, sir.

18 Q. Do you request that these overhead rates be  
19 adjusted periodically as provided by the COPAS accounting  
20 procedure?

21 A. Yes, sir.

22 Q. And finally, was Shackelford notified of this  
23 hearing?

24 A. Yes, he was.

25 Q. And is that reflected in Exhibit 4?

1 A. Yes, sir.

2 Q. Were Exhibits 4 [sic] prepared by you or under  
3 your supervision or compiled from company business records?

4 A. Yes, sir.

5 Q. And is the granting of this Application in the  
6 interests of conservation and the prevention of waste?

7 A. Yes, sir.

8 MR. BRUCE: Mr. Examiner, I'd move the admission  
9 of Devon's Exhibits 1 through 4.

10 EXAMINER JONES: Devon's Exhibits 1 through 4  
11 will be admitted.

12 I have a letter here from Mr. Shackelford dated  
13 August 15th --

14 THE WITNESS: Uh-huh.

15 EXAMINER JONES: -- I received it August 16th.  
16 It said he intends to participate in the hearing today, but  
17 I didn't see him today. So I just wanted to make that on  
18 the record, make sure that was in.

19 I don't have any questions. Do you have any?

20 EXAMINER BROOKS: The notice was for August 23rd.  
21 Was this case continued from August 23rd?

22 MR. BRUCE: Yes, it was continued from August  
23 23rd. And actually it was called on the docket and Mr.  
24 Shackelford did not show up. So the Division allowed that  
25 case to be continued.

1 EXAMINER BROOKS: I think I remember that, as a  
2 matter of fact. I was the -- an Examiner that day. Thank  
3 you.

4 THE WITNESS: Thank you.

5 EXAMINER JONES: Thank you.

6 Okay, Mr. Bruce, we'll take Case 13,975 under  
7 advisement.

8 And let's break until 1:15.

9 EXAMINER BROOKS: 1:15 will work. Okay, thank  
10 you.

11 (Thereupon, these proceedings were concluded at  
12 11:41 a.m.)

13 \* \* \*

14  
15  
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. \_\_\_\_\_  
20 heard by me on \_\_\_\_\_

21 AL \_\_\_\_\_, Examiner  
22 Oil Conservation Division  
23  
24  
25


## 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 25th, 2007.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2010