

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

IN THE MATTER OF THE AMENDED  
APPLICATION OF ENERGEN RESOURCES  
CORPORATION TO AMEND THE COST  
RECOVERY PROVISIONS OF COMPULSORY  
POOLING ORDER NO. R-1960, TO DETERMINE  
REASONABLE COSTS, AND FOR AUTHORIZATION  
TO RECOVER COSTS FROM PRODUCTION OF  
POOLED MINERAL INTERESTS, RIO ARRIBA  
COUNTY, NEW MEXICO.

CASE NO. 13957

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Miller Stratvert P.A. (J. Scott Hall) on behalf of Energen Resources Corporation, as required by the Oil Conservation Division.

APPEARANCES

APPLICANT'S ATTORNEY

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APPLICANT

Energen Resources Corporation

OPPONENT'S ATTORNEY

James Bruce, Esq.

OPPONENT

JAS Oil and Gas Co., LLC

OTHER PARTY'S ATTORNEY

OTHER PARTY

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## STATEMENT OF THE CASE

### APPLICANT

Applicant is the successor operator of the Martinez Well No. 1 drilled to and producing from the Pictured Cliffs formation, (Tapacito-Pictured Cliffs Gas Pool) underlying the SW/4 of Section 2, Township 25 North, Range 3 West, NMPM, in Rio Arriba County. Certain unleased mineral interests in the SW/4 of Section 2 dedicated to the well were consolidated pursuant to Order No. R-1960. The form of this compulsory pooling order issued in 1961 does not directly comport with the form of orders currently in use by the Division setting forth the means by which well operators may obtain reimbursement for operating costs and supervision charges. Order No. R-1960 neither contains findings establishing the amount of supervision charges, nor does it expressly provide for their periodic adjustment. (See *NMSA 1978 §70-2-17 C*).

One of the pooled mineral interest owners has disputed the operating expenses and supervision charges for the well. In addition, one or more of the pooled mineral interest owners has failed to make arrangements for the sale of its gas and has refused to permit the Applicant to market its gas on its behalf. As a consequence, Applicant has been prevented from deducting proportionate operating costs and supervision charges. One of the pooled mineral interest owners also asserts that Applicant may not sell its gas from the well when the mineral interest owner's working interest share is not being marketed. (See *Rule 414*).

Applicant accordingly requests the Division enter its Order (1) amending Order No. R-1960 to include new provisions allowing for the pro rata reimbursement of the operator's costs of operations and supervision charges which may be adjusted annually, (2) further authorizing Applicant to sell a portion or all of the production attributable to the pooled working interest of the non-selling mineral interest owner, and (3) making such other provisions as may be proper.

**PROPOSED EVIDENCE**

**APPLICANT**

<b>WITNESSES</b>	<b>EST. TIME</b>	<b>NO. OF EXHIBITS</b>
Paul Rote, Landman	45 Minutes	12

**OPPOSITION**

<b>WITNESSES</b>	<b>EST. TIME</b>	<b>NO. OF EXHIBITS</b>
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**PROCEDURAL MATTERS**

**None.**

MILLER STRATVERT P.A.

By: J. Scott Hall

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on the 19th day of July, 2007, the foregoing was faxed to the following counsel of record:

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J. Scott Hall  
J. Scott Hall