

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4

ORIGINAL

5 IN THE MATTER OF THE HEARING CALLED
6 BY THE OIL CONSERVATION DIVISION FOR
7 THE PURPOSE OF CONSIDERING:

CASE NO. 14,152

8 APPLICATION OF READ AND STEVENS, INC.,
9 FOR COMPULSORY POOLING, LEA COUNTY,
10 NEW MEXICO
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REPORTER'S TRANSCRIPT OF PROCEEDINGS

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EXAMINER HEARING

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BEFORE: TERRY WARNELL: Hearing Examiner
CAROL LEACH: Legal Counsel for the Division
JAMES BRUCE: Legal Counsel for Applicants

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July 26, 2008

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Santa Fe, New Mexico

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This matter came for hearing before the New Mexico
Oil Conservation Division, Terry Warnell, Hearing
Examiner, on July 24, 2008, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South
St. Francis Drive, Room 102, Santa Fe, New Mexico.

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REPORTED BY: PEGGY A. SEDILLO, NM CCR NO. 88
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

1 HEARING EXAMINER: So let's start with our first
2 case, Case No. 14,142, Application of Read and Stevens,
3 Inc. for Compulsory Pooling in Lea County, New Mexico.

4 Call for appearances.

5 MR. BRUCE: Mr. Hearing Examiner; Jim Bruce of
6 Santa Fe representing the Applicant. I'm submitting this
7 case by affidavit.

8 And before we begin, Mr. Examiner, there are a
9 couple of items. I only have one copy each, I just got
10 them this morning, they were just printed. One is a
11 letter attached that I had submitted a couple days ago to
12 the director of the OCD.

13 HEARING EXAMINER: That's the letter dated
14 July 21st?

15 MR. BRUCE: Yes.

16 HEARING EXAMINER: Okay.

17 MR. BRUCE: In this case, the application was
18 filed to forced pool all depths in the north half of
19 Section 5, 20 South, 34 East from the surface to the base
20 of the Morrow.

21 That letter amended the application just to
22 delete the depths from surface to 5,000.

23 HEARING EXAMINER: Okay.

24 MR. BRUCE: And then, as you know, there was a
25 pre-hearing statement filed by Mr. Padilla on behalf of

1 Ard Oil, Limited.

2 And when I got to the office this morning there
3 was an e-mail from Mr. Padilla to Mr. Ezeanyim stating
4 that he was withdrawing any objection. So I just wanted
5 you to be aware of that.

6 HEARING EXAMINER: And I have a copy of that
7 e-mail here. Thank you.

8 MR. BRUCE: Mr. Examiner, I've handed you two
9 exhibits. Exhibit 1 is the affidavit of the landman
10 according to Rule 1210.A(1), setting forth what the
11 applicant seeks in this matter.

12 As I stated, they seek to force pool from the
13 5,000 feet -- a depth of 5,000 feet to the base of the
14 Morrow underlying the north half of Section 5, 20 South,
15 34 East.

16 It's to be dedicated to the Highway 5 Fed. Com.
17 Well No. 1 to be drilled in the northwest quarter of
18 northwest quarter of Section 5.

19 This is an irregular section, actually. It's
20 comprised of Lots 1 through 4 in the south half of the
21 north half. On Page 2 of the exhibit --

22 HEARING EXAMINER: On that exhibit, Mr. Bruce,
23 it says there at the top "Case No. 13-152."

24 MR. BRUCE: Well, that's a --

25 HEARING EXAMINER: That's just a -- we can make

1 that "14-142"?

2 MR. BRUCE: Yes.

3 HEARING EXAMINER: Okay, that's done. Please
4 continue.

5 MR. BRUCE: On Page 2, it set's forth the
6 parties to be pooled and their status. I would note that
7 Moore and Shelton Company, Limited, has farmed out to the
8 applicant, and therefore, Moore and Shelton Company,
9 Limited, is not being force pooled by this application.

10 The other two parties, Ard Oil, Limited and the
11 trustee of Lindy's Living Trust, have not yet finalized
12 any deal with anyone. So they are being force pooled.

13 Attachment A to the exhibit is just the land
14 plats.

15 Exhibit B contains the offer letters sent to the
16 parties being pooled.

17 And Exhibit C is the AFD for the well. It's a
18 \$3.2 million --

19 MS. LEACH: Mr. Bruce?

20 MR. BRUCE: Yes?

21 MS. LEACH: We have a brand new court reporter,
22 so you might want to say what AFD is.

23 MR. BRUCE: Very good. The Authorization for
24 Expenditure is Attachment C to Exhibit 1 setting forth the
25 well costs, dry hole costs of \$2.1 million, and completed

1 well costs of \$3.2 million.

2 The applicant proposes overhead rates of \$7,000
3 and \$700 per month for drilling and producing wells.

4 Somewhere in here, Mr. Examiner, towards the end
5 attached to the letter is an exhibit from the JOA, which
6 many people have executed, setting forth all of the
7 interests in the well, and just for your records.

8 So you can see that the overwhelming majority of
9 the people have reached agreement, voluntary agreement.

10 Exhibit 2 is my Affidavit Of Notice showing that
11 notice was given to and received by all parties being
12 forced pooled.

13 And with that, I move the admission of
14 Exhibits 1 and 2 and request that this matter be taken
15 under advisement.

16 HEARING EXAMINER: Any objection to the
17 exhibits? Exhibits 1 and 2 are admitted. Okay, it
18 looks pretty straightforward. Ms. Leach, do you have any
19 questions?

20 MS. LEACH: No. Thank you.

21 HEARING EXAMINER: I don't believe I have any
22 questions either at this time. So we will take Case
23 No. 14,142 under advisement.

24 (Whereupon, the proceedings concluded.)

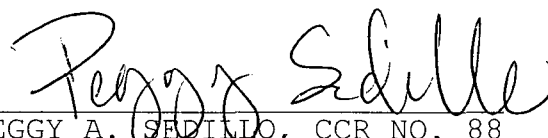
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1 STATE OF NEW MEXICO)
 2) ss.
 3 COUNTY OF SANTA FE)
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5 REPORTER'S CERTIFICATE
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7 I, PEGGY A. SEDILLO, Certified Court
 8 Reporter of the firm Paul Baca Professional
 9 Court Reporters, do hereby certify that the
 10 foregoing transcript is a complete and
 11 accurate record of said proceedings as the
 12 same were recorded by me or under my
 13 supervision.

14 Dated at Santa Fe, New Mexico this 5th
 15 day of August, 2008.
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 20 PEGGY A. SEDILLO, CCR NO. 88
 21 License Expires 12/31/08
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