

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:

ORIGINAL

CASE NO. 14183

APPLICATION OF APACHE CORPORATION FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Legal Examiner
RICHARD EZEANYIM, Technical Examiner
TERRY G. WARNELL, Technical Examiner

September 18, 2008

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico
Oil Conservation Division, DAVID K. BROOKS, Legal Examiner,
RICHARD EZEANYIM, Technical Examiner, and TERRY G. WARNELL,
Technical Examiner, on Thursday, September 18, 2008, at the
New Mexico Energy, Minerals and Natural Resources Department,
1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: JOYCE D. CALVERT, P-03
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR THE APPLICANT:

James G. Bruce, Esq.
ATTORNEY AT LAW
P.O. Box 1056
Santa Fe, New Mexico 87504

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1 MR. EZEANYIM: I'm now going to go ahead because I
2 have noticed that some counselors have not shown up for the
3 next case.

4 So we go to page 3 -- or page 4 -- and call Case
5 No. 14183, Application of Apache Corporation for Compulsory
6 Pooling, Lea County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
9 representing the applicant. I'm submitting this case by
10 affidavit.

11 MR. EZEANYIM: Any other appearances? You may
12 proceed.

13 MR. BRUCE: Mr. Examiner, I've handed you three
14 exhibits. The first one is the verified statement of the
15 landman for Apache. Apache is seeking to force-pool the NW/4,
16 NW/4 of Section 11, 20 South 38 East, from the surface to the
17 base of the Drinkard formation for all formations based on
18 40 acres.

19 The well is the Magnolia Well No. 2 to be located at
20 an orthodox oil well location. The Division's records reflect
21 that the APD has been approved, and that footage location for
22 that well is 330 feet from the north line and 880 feet from the
23 west line.

24 MR. EZEANYIM: The Drinkard is not 380?

25 MR. BRUCE: 880.

1 MR. EZEANYIM: 880 from the --

2 MR. BRUCE: From the west line. A land plat is
3 attached to this affidavit together with a listing of the
4 interest owners. Attachment B to the affidavit lists all the
5 interest owners. They own approximately a combined 2.8 percent
6 in the well. The listing of interest owners -- a number of the
7 names are highlighted in yellow -- those interest owners are
8 unlocatable as set forth in the affidavit.

9 The proposal letter -- one item on the list of
10 interest owners, Sarah Elizabeth Carlin, has recently executed
11 a lease and the Division -- or we do not request the Division
12 to force-pool her interest, so she should not be among the
13 pooled parties.

14 An affidavit -- or excuse me -- an AFE is attached.
15 The well cost is approximately \$1.55 million, and the overhead
16 rates are 6,000 a month for a drilling well and 600 a month for
17 a producing well.

18 Exhibit 2 is my Affidavit of Notice. There were only
19 two interest owners who were locatable; they received notice.
20 Notice was mailed to a couple of other people, but those
21 letters have been returned or never delivered. And actually,
22 there was a hearing on the 40 acres immediately to the south a
23 few months ago, and those people were also unlocatable at that
24 time.

25 And submitted -- I may have forgotten to number the

1 exhibit, but attached should be Exhibit 3, the Affidavit of
2 Publication -- that should be marked Exhibit 3, Mr. Examiner --
3 the Affidavit of Publication in the Hobbs newspaper giving
4 notice to all of the unlocatable interest owners.

5 And I move the admission of Exhibits 1 through 3, and
6 ask that this matter be taken under advisement.

7 MR. EZEANYIM: Exhibits 1 through 3 will be admitted.
8 Do you have any questions?

9 MR. BROOKS: Well, I suppose I should go through here
10 and be sure you actually did give notice to all the unlocated
11 owners, but you're pretty good about that -- pretty thorough
12 about that. I guess I'll leave that for the Examiner --

13 MR. BRUCE: I've taken to over-notifying everybody.

14 MR. BROOKS: Pardon me?

15 MR. BRUCE: I've taken to over-notifying everyone.

16 MR. BROOKS: We appreciate that. I guess I'll leave
17 that to the Examiner to do it after it's taken under
18 advisement.

19 MR. BRUCE: And I have nothing further in this
20 matter, Mr. Examiner.

21 MR. EZEANYIM: Okay.

22 MR. WARNELL: What is the zone of interest?

23 MR. BRUCE: Well, the bottom zone is Drinkard,
24 although in this area there are Blinebry, Abo -- there are
25 several zones of interest in this area, although the target

1 zone is the Drinkard.

2 MR. WARNELL: Okay.

3 MR. EZEANYIM: Let me straighten something up. You
4 say the location of the well is 330 feet from the north line
5 and 880 from the west line, right?

6 MR. BRUCE: Yes.

7 MR. EZEANYIM: You've got an APD for the well
8 because --

9 MR. BRUCE: Yes. The API number is 3002539090.

10 MR. EZEANYIM: Okay. And you have one at 6,000
11 drilling and 600 production?

12 MR. BRUCE: Correct.

13 MR. EZEANYIM: Okay. Let's go back to notice of
14 requirement that they are asking about. You were able to
15 locate all interest owners? Did you locate everybody?

16 MR. BRUCE: If you'll go to Exhibit 1 and go back
17 four pages, all of the interest owners listed in yellow do not
18 have -- are unlocatable.

19 MR. EZEANYIM: They are unlocatable. And that's why
20 you need to use the application.

21 MR. BRUCE: That is correct.

22 MR. EZEANYIM: So in this case, because they are
23 unlocatable, are there any kinds of -- so we can have some
24 escrow, you know, if we were to grant this order. Do we need
25 to have some escrow? Because these are all unlocatable.

1 MR. BRUCE: Yes, yes, yes. And after the hearing,
2 I'll provide you with the name of the bank that Apache uses in
3 Lea County.

4 MR. EZEANYIM: Okay. Now, there are some issues
5 with -- maybe I say something about the escrow now -- no
6 matter, we will be asking that you guys really give us,
7 whenever you put that escrow or whatever, we've changed it. If
8 you simply look at our order, we sent orders now. We are going
9 to have you do it one year from the date of the issuance of
10 that order.

11 MR. BRUCE: Okay.

12 MR. EZEANYIM: So if you didn't provide that
13 escrow -- there must be an escrow -- then you are in violation
14 of that order.

15 MR. BRUCE: Yes.

16 MR. EZEANYIM: People are now coming up to claim
17 their money. We didn't collect them all. So that's why any
18 time we hear these cases, we have to know whether some owners
19 are not locatable so that we can then establish an escrow
20 account which is reported to the Division so that we know about
21 it. So in case if somebody calls and says, "Where's my
22 money?", then we know what to say.

23 MR. BROOKS: Let the record reflect I did check the
24 Notice of Affidavit, and it includes -- it's in proper form,
25 and it includes everybody, according to the exhibits you

1 mentioned, who were supposed to be included.

2 MR. EZEANYIM: Okay. Case No. 14183 will be taken
3 under advisement.

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15 I do hereby certify that the foregoing is
16 a complete record of the proceedings in
17 the Examiner hearing of Case No. _____,
18 heard by me on _____.

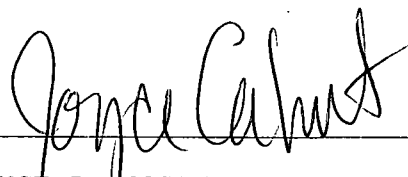
19 _____, Examiner
20 Oil Conservation Division
21
22
23
24
25

1
2 **REPORTER'S CERTIFICATE**
3

4 I, JOYCE D. CALVERT, Provisional Court Reporter for
5 the State of New Mexico, do hereby certify that I reported the
6 foregoing proceedings in stenographic shorthand and that the
7 foregoing pages are a true and correct transcript of those
8 proceedings and was reduced to printed form under my direct
9 supervision.

10 I FURTHER CERTIFY that I am neither employed by nor
11 related to any of the parties or attorneys in this case and
12 that I have no interest in the final disposition of this
13 proceeding.

14 DATED this 18th of September, 2008.
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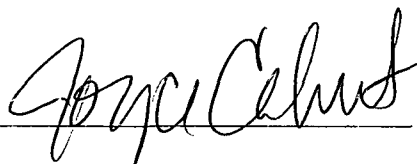
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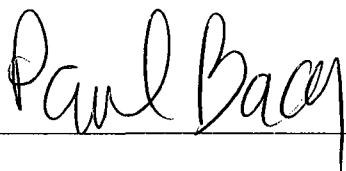
1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO)

3
4 I, JOYCE D. CALVERT, a New Mexico Provisional
5 Reporter, working under the direction and direct supervision of
6 Paul Baca, New Mexico CCR License Number 112, hereby certify
7 that I reported the attached proceedings; that pages numbered
8 1-8 inclusive, are a true and correct transcript of my
9 stenographic notes. On the date I reported these proceedings,
10 I was the holder of Provisional License Number P-03.

11 Dated at Albuquerque, New Mexico, 18th day of
12 September, 2008.

13
14 
15

16 Joyce D. Calvert
17 Provisional License #P-03
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