

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. 14159

APPLICATION OF PARALLEL PETROLEUM  
CORPORATION FOR COMPULSORY POOLING,  
CHAVES COUNTY, NEW MEXICO

**ORIGINAL**

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

August 7, 2008

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico  
Oil Conservation Division, DAVID K. BROOKS, Legal Examiner,  
WILLIAM V. JONES, Technical Examiner, and TERRY WARNELL,  
Technical Examiner, on Thursday, August 7, 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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FOR THE APPLICANT:

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

1 MR. JONES: Let's call Case No. 14159, Application of  
2 Parallel Petroleum Corporation for Compulsory Pooling, Chaves  
3 County, New Mexico.

4 Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
6 representing the applicant. I have one witness, the same  
7 Mr. Myers. And if the record could reflect that he was  
8 previously sworn and qualified.

9 MR. JONES: Mr. Myers has already been sworn in the  
10 previous case.

11 AARON MYERS

12 after having been first duly sworn under oath,  
13 was questioned and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. BRUCE:

16 Q. Mr. Myers, could you -- in this case, could you  
17 identify Exhibit 1 and describe what Parallel seeks in this  
18 application?

19 A. Exhibit 1, again, is a locator map showing our  
20 drilling location located, actually, in the NE/4 of the NR/4 of  
21 Section 5, and then drilling eastward with a bottom hole  
22 location in the NE/4, NE/4 of Section 4, the N/2 of Section 4.

23 Q. And is this, again, a horizontal Wolfcamp well?

24 A. Yes, sir, it is.

25 Q. And in this are of the Wolfcamp is gas bearing,

1 is it not?

2 A. Yes, it is.

3 Q. And referring to Exhibit 2, what is the name of  
4 the well?

5 A. Exhibit 2, the name of the well is the Read Quiet  
6 1525-4 Fed Com No. 1 well.

7 Q. And, again, the C-104 attached as page 2 sets  
8 forth the surface location penetration point and bottom hole  
9 location?

10 A. Yes, it does.

11 Q. Are you using essentially the same well pad as  
12 for the prior well?

13 A. Yes, we are.

14 Q. But the penetration point will be at an orthodox  
15 gas well location; is that correct?

16 A. Yes, it will. We'll be drilling down and then  
17 horizontally drilling eastward to make a penetration point in  
18 the N/2 of Section 4.

19 Q. Referring you to Exhibit 3, what is the working  
20 interest ownership in the well?

21 A. Exhibit 3 outlines Parallel's aggregate working  
22 interest in this well as a little over 89 percent, 89.083  
23 percent to be certain.

24 Q. And who on this list do you seek to pool?

25 A. Starting with the S/2 of the NW/4, the first

1 person in line there would be Francis Moots and/or the unknown  
2 heirs/devisees of Frances Moots. We were never able to locate  
3 a valid address for Frances Moots. She kind of fell out of  
4 title, you know, way back. I want to say 50, 60 years ago.  
5 And she is still listed on our title opinion as the mineral  
6 owner.

7 Q. And who else do you seek to pool?

8 A. Moving down that list, we seek to pool Mary M.  
9 Eicker who was the original mineral interest owner under this  
10 tract. And we're also seeking to pool the unknown heirs and  
11 devisees of Mary M. Eicker. Going down that list further, we  
12 have Jessie Elizabeth Trotter, who we have ascertained to be  
13 the daughter of Mary Eicker. And listed after Mrs. Trotter is  
14 Chesapeake Energy Corporation, who did take the lease from  
15 Jessie Elizabeth Trotter, the heir of Mary M. Eicker.

16 Q. Okay. So you would seek to force-pool Frances  
17 Moots and Mary Eicker and/or their unknown heirs, and then  
18 Chesapeake Energy?

19 A. Yes, we would.

20 Q. What is Exhibit 4?

21 A. Exhibit 4 is a copy of our well proposal that was  
22 sent to Chesapeake Energy Corporation in Oklahoma City.

23 Q. And have you received any response to this  
24 letter?

25 A. Yes. They did sign for the letter, and we have

1 talked back and forth to Chesapeake a few times. We're still  
2 waiting on an answer from them as to how they would like to  
3 proceed. In all likelihood, what we expect to see happen is  
4 Chesapeake to sign an operating agreement. They have done that  
5 in the past on some other wells around the area.

6 Q. And again, the status of Frances Moots?

7 A. Frances Moots, like I said, you know, by  
8 investigating the oil and gas records in Chaves County, we were  
9 never able to ascertain a valid address for Mrs. Moots.

10 Q. And again, you did internet searches and other  
11 types of searches to try to locate her?

12 A. Yes, sir, we did.

13 Q. I did notice on Exhibit 3, there is a Charles  
14 Thomas Moots. I presume they are relatives of some type?

15 A. Yes, they are. And I know that we are working  
16 with the other Moots heirs trying to get this resolved. We've  
17 still got the requirements on our title opinion, and that's  
18 kind of what we have to base everything on until we can get an  
19 okay from our title opinion attorney.

20 Q. Would you please identify Exhibit 5 -- let's take  
21 a step back. In your opinion, has Parallel made a good faith  
22 effort either to locate the unlocatable, currently unlocatable,  
23 interest owners or to obtain the voluntary joinder of  
24 Chesapeake in this well?

25 A. Yes, we have.

1 Q. Would you identify Exhibit 5 and discuss the cost  
2 of the well according to your records?

3 A. Exhibit 5 is Parallel's authority for  
4 expenditure, which did go out with the letter attached to  
5 Exhibit No. 4. It outlines our total cost for this well --  
6 total estimated cost of \$2,317,500 for the well.

7 Q. And again, is this cost in line with the cost of  
8 other wells drilled in this depth in this area of New Mexico?

9 A. Yes, sir, it is.

10 Q. Do you request that Parallel be appointed  
11 operator of the well?

12 A. At the present time, yes, we would.

13 Q. Do you have a recommendation as to the overhead  
14 rates?

15 A. Again, we would recommend overhead rates of \$4500  
16 a month drilling and \$450 per month producing.

17 Q. Are these amounts equivalent to those normally  
18 charged by operators in this area for wells of this depth?

19 A. Yes, sir, they are.

20 Q. Do you request that this rate be adjusted  
21 periodically as provided by the COPAS accounting procedure?

22 A. Yes, I would.

23 Q. And does Parallel request a maximum cost plus  
24 200 percent penalty against any non-consenting interest owners?

25 A. At the present time, we would.

1 Q. Was Chesapeake notified of this hearing?

2 A. Yes, sir, they were.

3 Q. And is that reflected in my Affidavit of Notice  
4 marked Exhibit 6?

5 A. Yes, it is.

6 Q. Was Ms. Moots and the potential unknown heirs of  
7 Mary Eicker, were they notified of this hearing by publication?

8 A. No. Yes, they were. Okay. Yeah. I'm sorry.  
9 I'm looking at the wrong exhibit.

10 Q. And is Exhibit 7 a copy of notice that was  
11 published in the Roswell newspaper?

12 A. Yes, sir, it is.

13 MR. BRUCE: And again, Mr. Examiner, I request  
14 permission to submit the original Affidavit of Publication when  
15 I receive it in a day or two from the Roswell newspaper.

16 MR. BROOKS: Sounds good.

17 Q. (By Mr. Bruce): Were Exhibits 1 through 7  
18 prepared by you or under your supervision or compiled from  
19 company business records?

20 A. Yes, they were.

21 Q. And in your opinion, is the granting of this  
22 application in the interest of conservation and the prevention  
23 of waste?

24 A. Yes, it is.

25 MR. BRUCE: Mr. Examiner, I move the admission of

1 Parallel's Exhibits 1 through 7.

2 MR. JONES: Exhibits 1 through 7 will be admitted.

3 [Applicant's Exhibits 1 through 7 admitted into  
4 evidence.]

5 MR. BRUCE: And I have no further questions of the  
6 witness.

7 EXAMINATION

8 BY MR. JONES:

9 Q. Do you know who to contact at Chesapeake?

10 A. Yes. I've talked to them back and forth, and  
11 we're still working on trying to figure out what we're going to  
12 do with them. My dealing with Chesapeake is you'll get a hold  
13 of somebody and then you're not going to hear from them for two  
14 or three weeks, but that's just, you know, sometimes we get  
15 that busy as well.

16 But I think, regarding Chesapeake, that we're pretty  
17 certain we'll have an operating agreement or something worked  
18 out. They wanted to sell us a bunch of acreage and this was  
19 included in it. But they've really only got about 400 acres  
20 that we'd be interested in buying. And they wanted to sell  
21 us -- I want to say upwards of 20 or 24,000 acres, just kind of  
22 scattered all over a map. I was like, I don't think we want to  
23 buy that, because I don't know what we would do with it since  
24 you guys are having a hard time figuring out what you want to  
25 do with it.

1 MR. JONES: Okay. I don't have any other questions.

2 EXAMINATION

3 BY MR. BROOKS:

4 Q. Okay. Chesapeake is the lessee? They are the  
5 oil and gas lease? Do they have the entire 3/16 interest in  
6 that tract?

7 A. Yes, they do. They took the oil and gas lease  
8 from Jessie Elizabeth Trotter, who is, by all accounts, the  
9 most probable heir of Mary M. Eicker.

10 Q. Okay. So the title is Mary L. Eicker and Jessie  
11 Elizabeth Trotter is the lessor and Chesapeake is the lessee?

12 A. Yes, sir.

13 Q. In the case of the Moots interest, you don't have  
14 any idea who those people are, right?

15 A. That's a common problem we run into where you'll  
16 find somebody named of record but there's no address of record  
17 in anything that you come across, so you're kind of left with,  
18 you know, using the biggest paintbrush you can.

19 Q. I'm aware of the issue.

20 A. Yeah.

21 Q. Then you'll be putting that interest in suspense  
22 in any case?

23 A. Yes, sir, we will.

24 MR. BROOKS: That's all I have.

25 MR. BRUCE: I have nothing further in this matter.

1 MR. JONES: Okay. Thank you. We'll take Case  
2 No. 14159 under advisement.

3 [Hearing concluded.]

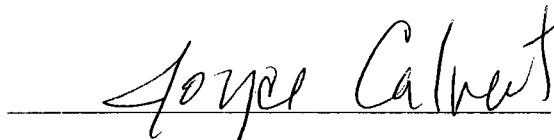
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1  
2 **REPORTER'S CERTIFICATE**  
3

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  
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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 7th of August, 2008.  
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2 COUNTY OF BERNALILLO )

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5 Reporter, working under the direction and direct supervision of  
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7 that I reported the attached proceedings; that pages numbered  
8 1-12 inclusive, are a true and correct transcript of my  
9 stenographic notes. On the date I reported these proceedings,  
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11 Dated at Albuquerque, New Mexico, 7th day of  
12 August, 2008.

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