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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. 14258

APPLICATION OF PURVIS OPERATING
COMPANY For COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

December 18, 2009
Santa Fe, New Mexico

RECEIVED
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BEFORE: DAVID BROOKS: Hearing Examiner
TERRY WARNELL: Technical Advisor

This matter came for hearing before the New Mexico
Oil Conservation Division, Terry Warnell, Hearing
Examiner, on December 18, 2008, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South
St. Francis Drive, Room 102, Santa Fe, New Mexico.

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

1 Examiner's Hearing
2 Case No. 14258

3 I N D E X

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15 A P E A R A N C E S

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17 FOR THE APPLICANT: JAMES BRUCE, ESQ.
18 Attorney at Law
19 P. O. Box 1056
20 Santa Fe, NM 87504

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24 COURT REPORTER'S CERTIFICATE: 13

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1 HEARING EXAMINER: We'll call Case No. 14258,
2 the Application of Purvis Operating Company for Compulsory
3 Pooling, Lea County, New Mexico. Call for appearances.

4 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
5 representing the Applicant. I have one witness.

6 HEARING EXAMINER: Okay. Would the witness
7 state their name, please?

8 MR. DONALDSON: Dalton Briggs Donaldson.

9 HEARING EXAMINER: Court reporter, swear in the
10 witness.

11 D. BRIGGS DONALDSON,
12 the witness herein, after first being duly sworn
13 upon his oath, was examined and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. BRUCE:

16 Q. Mr. Donaldson, who do you work for and in what
17 capacity?

18 A. Purvis Operating Company. I'm their landman.

19 Q. And have you previously testified before the
20 Division?

21 A. Yes, sir.

22 Q. Were your credentials as an expert petroleum
23 landman accepted as a matter of record?

24 A. Yes, sir.

25 Q. And are you familiar with land matters involved

1 it this case?

2 A. Yes, sir.

3 MR. BRUCE: I tender Mr. Donaldson as an expert
4 petroleum landman.

5 HEARING EXAMINER: So accepted.

6 Q. Mr. Donaldson, could you identified Exhibit 1
7 and briefly describe what Purvis seeks in this
8 application?

9 A. We have permitted a well in the northeast
10 quarter of Section 7, Township 15 south, 35 east, Lea
11 County, New Mexico.

12 And we previously had these leased, and because
13 of the casing problems and drilling rig breaks and things
14 of that nature, lack of materials and labor, we needed to
15 extend the lease for a few of our lessors -- or the
16 leases.

17 And so we've submitted that. And most of them
18 have responded favorably. And some of them have passed
19 away and I've contacted their heirs and have had no
20 response with a few of them.

21 Q. Okay, so you're seeking to force pool the east
22 half of Section 7 as to what depths?

23 A. Well, we're drilling -- or we have a Strawn
24 anomaly that we're trying to drill to. That's our primary
25 objective. But if there's nothing there or we want to

1 test -- we'd like to go down all the way to the
2 Mississippian.

3 Q. Okay.

4 A. So our TD is 14 or 13.9, I believe, or something
5 like that.

6 Q. In the Mississippian?

7 A. Yes, sir.

8 Q. And you are seeking to force pool the east half
9 of Section 7 for 320 acre spacing, the northeast quarter
10 for anything on a 160 acre spacing, and the northeast
11 northeast, I believe, for 40 acre spacing?

12 A. Yes, sir.

13 Q. And we'll get into that a little bit more. Now,
14 you mentioned -- the reason we're here today is because
15 you had -- This is fee land, is it not?

16 A. Yes, sir.

17 Q. And there's numerous owners?

18 A. Yes, sir.

19 Q. And you have leased them over the past number of
20 years with the aim toward drilling a well on the east half
21 Of Section 7?

22 A. Yes, sir.

23 Q. And actually, last spring, there were a couple
24 of holdouts and you came up for a force pooling hearing,
25 did you not?

1 A. Yes, sir, I did.

2 MR. BRUCE: Mr. Examiner, that was Case
3 No. 14132 which was dismissed after the pooling hearing
4 because the parties all joined in at that point.

5 HEARING EXAMINER: What's the number?

6 MR. BRUCE: 14132. And the Order of Dismissal
7 is R12974.

8 Q. And again, as you were proceeding toward
9 drilling the well, you ran into some problems?

10 A. Yes.

11 Q. Purvis ran into some problems with pipe being
12 delivered from China?

13 A. Yes, sir .

14 Q. And as you waited, some of these leases expired?

15 A. Yes, sir.

16 Q. And so you attempted to release all of the
17 people and you did release a bunch of them?

18 A. Yes, sir.

19 Q. And a few of them have not responded?

20 A. Right.

21 Q. And those are the ones we're here for today?

22 A. Yes, sir.

23 MR. BRUCE: Mr. Examiner, if you'd skip ahead to
24 Exhibit 7, which is the notice list.

25 Q. Mr. Donaldson, those are the parties who were

1 given notice of the hearing, was it not?

2 A. Yes, sir.

3 Q. And you've crossed out three names. Since we
4 have filed the pooling application, have they leased to
5 Purvis?

6 A. Yes, sir, they have.

7 Q. And so the ones that are not crossed out are the
8 parties you seek to pool?

9 A. Yes, sir.

10 Q. And you have some numbers written after their
11 names, what does that reflect?

12 A. That's their net mineral ownership in the east
13 half of Section 7.

14 Q. Okay, so that's not a percentage interest, it
15 would be 9.556 net mineral right?

16 A. Yes, sir.

17 Q. Okay. And Exhibit 2 is simply another land
18 plat, is it not?

19 A. Yes, sir, leasehold.

20 Q. And you originally drew this up because -- At
21 one point -- Well, I should say, a lot of these interest
22 owners own interests in adjoining tracts?

23 A. Yes, sir.

24 Q. And so this was just to keep your records
25 straight?

1 A. Yes, sir.

2 Q. Now, let's go on to your attempts to contact --
3 Oh, one other thing for the Examiner. What is the footage
4 location of the well?

5 A. We have changed it since the previous hearing
6 because of a tank location. And we changed it from 1,310
7 from the north line, to 1,077 from the north line, and 660
8 from the east line, to 893 from the east line.

9 So it's 1,077 from the north, and 893 from the
10 east line of said Section 7, 15 south, 35 east.

11 Q. And does Exhibit 3 contain copies of your
12 letters to the various unleased parties attempting to get
13 them to execute new leases?

14 A. Yes, sir.

15 Q. And you've had correspondence with them for, oh,
16 about five months at this point?

17 A. Yes, sir.

18 Q. And your final letter, did it also make a well
19 proposal and submit an AFE to these parties?

20 A. Yes, sir.

21 Q. And you had been in contact with these
22 parties -- actually, you've been working with these
23 parties for a number of years?

24 A. Yes, sir.

25 Q. To lease them and get this well pooled?

1 A. Yes, sir.

2 Q. Not just this year. In your opinion, has
3 Purvis Operating Company made a good-faith effort to
4 obtain the voluntary joinder of the interested owners in
5 the well?

6 A. Yes, sir.

7 Q. What is Exhibit 4?

8 A. Exhibit 4 is our AFE.

9 Q. And what are the estimated costs of the well?

10 A. \$2,847,600 to drill to the Mississippian or a
11 Mississippian-Morrow test.

12 Q. Okay. Now, let's get into this again, and this
13 was described in the prior hearing. Although the total
14 depth is -- or the ultimate test zone is the
15 Mississippian, if you hit the Strawn anomaly, will you
16 stop drilling in the Strawn?

17 A. Yes, sir, if -- Well, there's a lot of variables
18 there, depending on things, but yes.

19 Q. Okay. So you would request in the order that it
20 provide that the -- the pooling order would still be valid
21 if you stopped drilling in the Strawn and completed in
22 that zone?

23 A. Yes, sir.

24 Q. At which point, Purvis will not drill on down to
25 the Morrow and the Mississippian?

1 A. Right.

2 Q. Let's move on to Exhibit 5, Mr. Donaldson.

3 Written notice of this hearing was given to all parties
4 being pooled, correct?

5 A. Yes, sir.

6 Q. And that is reflected in the Affidavit of Notice
7 submitted as Exhibit 5. Mr. Donaldson, the very last page
8 of Exhibit 5 is a notice that was sent to Odus Phillips,
9 which was returned to me. Have you had correspondence
10 with Mr. Phillips?

11 A. He picked up one of my -- I think it was the
12 second notice, but other than that, they were never picked
13 up.

14 Q. So you believe that this is a valid address?

15 A. Yes, sir.

16 Q. And as a matter of fact, you have reached other
17 members of his family?

18 A. Yes, sir, his brother.

19 Q. Charles Philips?

20 A. Yes. And he has extended the lease, Charles
21 did.

22 Q. The other person who did not receive -- or at
23 least has not returned the green card is Charlee Dotson.
24 Did you also have written contact with her?

25 A. Yes, sir, her sister.

1 Q. And her sister. So you believe that the address
2 given on this notice list is in Somerset, Texas?

3 A. Yes, that's correct. It is correct.

4 MR. BRUCE: Mr. Examiner, because of those
5 missing green cards, I did publish notice as against
6 Mr. Phillips and Ms. Dotson. And I did this recently.
7 The notice is marked Exhibit 6.

8 And we are going to have to continue the hearing
9 to January 8 because the notice could not be published in
10 time for this hearing and I have not received the notice
11 affidavit. So at the end of this hearing, I would request
12 that it be continued to January 8.

13 Q. Now, with respect to the cost of the well,
14 Mr. Donaldson, do you believe that that cost is fair and
15 reasonable and in line with the cost of other wells
16 drilled at this depth in this area of Lea County?

17 A. Yes, sir.

18 Q. And what overhead rates do you propose?

19 A. The same ones we requested, 30 percent, 5,000 a
20 month, 500 a month.

21 Q. Okay. And are those overhead rates reasonable
22 and fair in this area for wells of this depth?

23 A. Yes, sir.

24 Q. And if any of these parties do not join in the
25 well or go nonconsent, do you request that a cost plus 200

1 percent risk charge be assessed against the nonconsenting
2 interest owners?

3 A. Yes, sir.

4 Q. Do you also request that the overhead rates be
5 adjusted as provided in the COPAS accounting procedure?

6 A. Yes, sir.

7 Q. Were Exhibits 1 through 6 prepared by you or
8 under your supervision or compiled from company business
9 records?

10 A. Yes, sir.

11 Q. And in your opinion, is the granting of this
12 case in the interests of conservation and the prevention
13 of waste?

14 A. Yes, sir.

15 MR. BRUCE: Mr. Examiner, I move the admission
16 of Exhibits 1 through 6.

17 HEARING EXAMINER: One through 6 are admitted.

18 MR. BRUCE: I have no further questions of the
19 witness.

20 HEARING EXAMINER: Mr. Warnell?

21 MR. WARNELL: No questions.

22 HEARING EXAMINER: I have no questions. At this
23 time, Case No. 14258 will be continued until January 8,
24 2009 to supplement the record.

25 I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14258,
heard by me on Dec 18, 2008.

, Examiner

1 STATE OF NEW MEXICO)
) ss.
 2 COUNTY OF BERNALILLO)

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REPORTER'S CERTIFICATE

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I, PEGGY A. SEDILLO, Certified Court

8

Reporter of the firm Paul Baca Professional

9

Court Reporters do hereby certify that the

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foregoing transcript is a complete and accurate

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record of said proceedings as the same were

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recorded by me or under my supervision.

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Dated at Albuquerque, New Mexico this

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8th day of January, 2008.

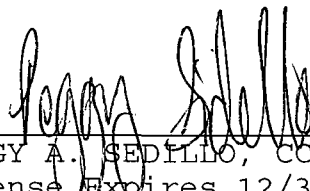
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 PEGGY A. SEDILLO, CCR NO. 88
 License Expires 12/31/09

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