

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

APPLICATION OF PRIDE ENERGY COMPANY CASE NO. 14384  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

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

September 17, 2009

Santa Fe, New Mexico

This matter came on for hearing before the  
New Mexico Oil Conservation Division, RICHARD EZEANYIM,  
Presiding Examiner; DAVID K. BROOKS, Legal Examiner; and  
TERRY G. WARNELL, Technical Examiner, on Thursday,  
September 17, 2009, at the New Mexico Energy, Minerals  
and Natural Resources Department, 1220 South St. Francis  
Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91  
Paul Baca Professional Court Reporters  
500 Fourth Street, N.W., Suite 105  
Albuquerque, NM 87103 505-843-9241

A P P E A R A N C E S

FOR THE APPLICANT:

JAMES G. BRUCE, ATTORNEY AT LAW  
P.O. Box 1056  
Santa Fe, New Mexico 87504-1056

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EXHIBITS 1 AND 2 WERE ADMITTED

6

REPORTER'S CERTIFICATE

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1 MR. EZEANYIM: Again, I call Case Number  
2 14384. This is the application of Pride Energy Company  
3 for compulsory pooling, Lea County, New Mexico. Call for  
4 appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of  
6 Santa Fe representing the applicant. I'm submitting this  
7 by affidavit.

8 MR. EZEANYIM: Any other appearances?  
9 Okay. Mr. Bruce, you may proceed.

10 MR. BRUCE: Mr. Examiner, I've submitted  
11 two exhibits to you. One is the affidavit of Matthew  
12 Pride, who is the landman for Pride Energy Company. They  
13 are seeking an order pooling all mineral interests  
14 from -- the application actually stated from the surface  
15 to the base of the Strawn formation in the southeast  
16 quarter of Section 19 of 16 South, Range 36 East, to pool  
17 everything spaced on 160 acres.

18 I think at this time we only need to force  
19 pool from the surface to the base of the Wolfcamp  
20 formation.

21 MR. EZEANYIM: Not the Strawn?

22 MR. BRUCE: Not the Strawn. I will  
23 explain why in a minute.

24 The acreage is to be dedicated to applicant's  
25 West Lovington 19 State Well No. 1. If you turn back to

1 Exhibit A, the land plat -- although it doesn't state it  
2 on there, you can see they've excised a couple of lines  
3 to indicate the leases involved. The north half of the  
4 southeast quarter in the southeast southeast are a single  
5 state lease owned by Pride Energy Company.

6 The southwest quarter southeast quarter of  
7 Section 19 is a single fee lease, and it's certain  
8 interest owners in that fee lease who are being force  
9 pooled into this well unit. The well is in the North  
10 Shoebar-Wolfcamp pool, which is spaced on 160 acres. And  
11 it is spaced on 160 acres under Order R-4657.

12 I had thought that the well was in the  
13 Strawn -- was in the North Shoebar-Strawn, which is also  
14 spaced on 160 acres, but after further review, I believe  
15 it's in the Northeast Shoebar-Strawn pool, which is  
16 spaced on 80 acres, so there's no need to force pool the  
17 Strawn. Any well unit, including the Strawn, would not  
18 include the fee acreage.

19 MR. EZEANYIM: Could you repeat that?

20 MR. BRUCE: Because of the location of the  
21 well in the northeast southeast, any 80-acre unit formed  
22 for a Strawn well would not include the fee owners in the  
23 southwest southeast who are being force pooled as to the  
24 Wolfcamp.

25 MR. EZEANYIM: Are you only pooling the 40

1     acres on 160 --

2                     MR. BRUCE: 160-acre well unit. The only  
3     one I know of is the Wolfcamp, but --

4                     MR. EZEANYIM: The 160, is that going to  
5     be the southeast quarter?

6                     MR. BRUCE: Yes, sir. The affidavit shows  
7     that there are four people, or there are states or  
8     corporations being force pooled. They all own rather  
9     small interests in the 160-acre well units. As stated in  
10    the affidavit, the applicant has been leasing interest  
11    owners in the southwest southeast for about a year and a  
12    half, and has leased over 25 mineral interest owners.

13                    The mineral interest owners listed in the  
14    affidavit are unleased mineral owners. They have tried  
15    to lease those interest owners for quite some time, and  
16    they were never really able to come to terms, and this  
17    pooling application -- a well proposal with an AFE was  
18    sent out when this pooling application was filed.

19                    Attachment B are the well proposals to the  
20    interest owners, and Exhibit C is the AFE for the well.  
21    Applicant requests that the interest owners be pooled and  
22    a 200 risk charge be assessed against any non-consenting  
23    interest owners. And the overhead charges they propose  
24    are 7,330 month for a drilling well and \$767 a month for  
25    a producing well. This well is -- it's over 11,000 feet

1 deep.

2           Some of these interest owners listed have  
3 indicated that they will finally execute a lease, but  
4 over the last two months, nothing has been forthcoming.  
5 So if they do execute a lease, I will notify the Division  
6 that they're no longer subject to the pooling.

7           Exhibit 2 in my affidavit of notice, all of  
8 these addresses are valid. There are no unlocateable  
9 interest owners, and everybody received actual notice of  
10 the pooling application. And I would move the admission  
11 of Exhibits 1 and 2.

12           MR. EZEANYIM: Which exhibits do you want  
13 to admit?

14           MR. BRUCE: 1 and 2.

15           MR. EZEANYIM: Exhibits 1 and 2 will be  
16 admitted.

17           (Exhibits 1 and 2 were admitted.)

18           MR. BRUCE: I have nothing further.

19           MR. BROOKS: All interests are the same  
20 from the surface to the base of the Wolfcamp?

21           MR. BRUCE: It is. And I have examined  
22 title to it, Mr. Examiner, and the interests are common  
23 as to all depths.

24           MR. BROOKS: These people being pooled are  
25 unleased mineral owners in the fee tract?

1 MR. BRUCE: Yes.

2 MR. WARNELL: This well is drilled; right?

3 MR. BRUCE: It has been drilled.

4 MR. WARNELL: It was drilled some time  
5 back, like in 2005?

6 MR. BRUCE: I don't think it was drilled  
7 then, Mr. Examiner. I think it was drilled and completed  
8 in 2008. I'm not sure when it commenced producing.

9 MR. WARNELL: In 2008 it was drilled to a  
10 TD of about 11,700?

11 MR. BRUCE: Yes.

12 MR. WARNELL: What did you say the TD was?

13 MR. BRUCE: Somewhere around 11,700.  
14 11,710.

15 MR. WARNELL: No further questions.

16 MR. EZEANYIM: You said the well was  
17 drilled in 2005?

18 MR. BRUCE: 2008.

19 MR. EZEANYIM: It is producing right now?

20 MR. BRUCE: I think it commenced producing  
21 late last year.

22 MR. EZEANYIM: At the time you drilled the  
23 well, did you do compulsory pooling?

24 MR. BRUCE: No.

25 MR. EZEANYIM: Under what arrangement did

1     you drill the well?

2                   MR. BRUCE:  They just -- it was on their  
3     lease, and they were actually going to a deeper objective  
4     and a 40-acre test.  And when they completed it, the  
5     Division placed it in the North Shoebar-Wolfcamp pool.  
6     This is an oil pool spaced on 160 acres.

7                   MR. EZEANYIM:  The Division placed it in  
8     the Wolfcamp that you came for compulsory pooling now?

9                   MR. BRUCE:  Yes.  But they tried to lease  
10    all these interest owners before seeking pooling.

11                  MR. EZEANYIM:  Were you able to locate all  
12    owners?

13                  MR. BRUCE:  Yes, sir.

14                  MR. EZEANYIM:  And there is no newspaper  
15    advertisement here?

16                  MR. BRUCE:  There is no newspaper ad, no.

17                  MR. EZEANYIM:  You have the API number on  
18    one of these?

19                  MR. BRUCE:  Yes.

20                  MR. EZEANYIM:  The depth is 11,073?

21                  MR. BRUCE:  11,710.  The API number is  
22    30-025 37306.

23                  MR. EZEANYIM:  The overhead rates, how did  
24    you come up with the 7,330 and 767?

25                  MR. BRUCE:  I wish I knew.  Those are the



1 rates they use for approximately a 12,000-foot well. I  
2 think those are fairly common rates that people have been  
3 using. Although this is a Wolfcamp well, I think if you  
4 look at 10,000 to 12,000 foot Morrow wells, you'd  
5 probably find similar rates.

6 MR. EZEANYIM: Is that pretty much  
7 standard? We have up to 11 to 12,000? Is that what you  
8 have?

9 MR. BRUCE: I didn't look at the Ernst &  
10 Young, although their rates are generally from 10 to  
11 15,000 feet. If you looked at the median rates, they  
12 would be pretty close to that.

13 MR. EZEANYIM: At this point Case Number  
14 14384 will be taken under advisement.

15 \* \* \*

16  
17  
18  
19 I do hereby certify that the foregoing is  
20 a complete record of the proceedings in  
21 the Examiner hearing of Case No. 14384  
22 heard by me on 9/17/09

23  
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25  
Oil Conservation Division, Examiner

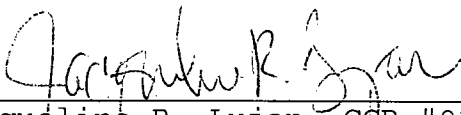
## REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on September 17, 2009, proceedings in  
the above captioned case were taken before me and that I  
did report in stenographic shorthand the proceedings set  
forth herein, and the foregoing pages are a true and  
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by  
nor related to nor contracted with any of the parties or  
attorneys in this case and that I have no interest  
whatsoever in the final disposition of this case in any  
court.

WITNESS MY HAND this 30th day of September,  
2009.

  
Jacqueline R. Lujan, CCR #91  
Expires: 12/31/2009