

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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. 14495

APPLICATION OF TORCH ENERGY
SERVICES, INC. FOR APPROVAL
OF A UNIT AGREEMENT,
ROOSEVELT COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 24, 2010
Santa Fe, New Mexico

BEFORE: RICHARD EZEANYIAM: Hearing Examiner
DAVID BROOKS: Legal Adviser

This matter came for hearing before the New Mexico
Oil Conservation Division, Richard Ezeanyim, Hearing
Examiner, on June 24, 2010, 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, NM 87102

RECEIVED OCD
2010 JUL -6 P 1:35

E X H I B I T S

Page

APPLICANT'S EXHIBITS:

Exhibit No. 1 - 2

5

COURT REPORTER'S CERTIFICATE

7

A P P E A R A N C E S

FOR THE APPLICANT:

OCEAN MUNDS-DRY, ESQ.
Holland & Hart, LLC
110 North Gonzales, Suite 1
Santa Fe, NM 87501

1 HEARING EXAMINER: At this time I call Case
2 No. 14495, Application of Torch Energy Services, Inc. for
3 Approval of a Unit Agreement, Roosevelt County, New
4 Mexico. Call for appearances.

5 MS. MUNDS-DRY: Good morning, Mr. Examiner.
6 Ocean Munds-Dry with the law firm of Holland and Hart,
7 here representing Torch Energy Services this morning. And
8 I am presenting this case by affidavit.

9 HEARING EXAMINER: Any other appearances? Okay.

10 MS. MUNDS-DRY: Mr. Examiner, Torch seeks
11 approval of the San Juan Mesa 4-30 Exploratory Unit.

12 This unit is proposed to be comprised of 9,160
13 acres of State of New Mexico and fee lands, and it is
14 located approximately 12 miles west of Elida, New Mexico.

15 If you look at your exhibit packet, Torch
16 Exhibit No. 1 is the affidavit of Louis Mazzullo, who is
17 the contract petroleum geologist identifying the project.

18 You will see Attachment A to the affidavit is a
19 copy of the unit agreement. It conforms to the State Fee
20 Land Office Form.

21 In the Unit Agreement, Torch proposes to test
22 all formations from the surface to the top of the
23 Fusselman-Montoya Formation. This is in Roosevelt County.

24 The initial test well is to be located at a
25 standard location 660 feet from the north line, and 660

1 feet from the east line of Section 16, Township 4 South,
2 Range 30 East to test all formations from the surface to
3 an approximate total depth of 8,600 feet.

4 Attachment B to the affidavit is a copy of the
5 plat to the Unit Agreement which identifies the unit
6 boundary. You also see it denotes state and fee lands.

7 Attachment C to the affidavit is a copy of the
8 ownership breakdown that is also Exhibit B to the Unit
9 Agreement.

10 One hundred percent of the working interest is
11 committed to the unit, and one hundred percent of the
12 royalty is made up of fee and State of New Mexico
13 interests.

14 Attachment D to the affidavit, we continue to go
15 through the packet, is a letter from the Commissioner of
16 Public Lands giving preliminary approval to the formation
17 of this unit.

18 Attachment E to the affidavit is an isopach map
19 of the Fusselman-Montoya Formation. It shows possible oil
20 and gas traps in the red shading, and possible locations
21 are shown by the yellow stars on the isopach.

22 Attachment F to the affidavit is a cross-section
23 AA Prime. It shows three deep wells in the area. The
24 primary targets are carbonates in the Fusselman-Montoya
25 where they either build up positionally or truncate

1 against several faults that punctuate the area.

2 And finally, Torch Exhibit No. 2 is the AFE for
3 the initial test well showing dry hole costs of \$748,240,
4 and a completion well cost of an additional \$580,320.

5 Mr. Mazzullo testifies that the development of
6 this unit area is pursuant to the unit plan, is in the
7 best interest of conservation, the prevention of waste,
8 and the protection of correlative rights.

9 And with that, Mr. Examiner, I would ask that
10 Torch Exhibit No. 1 and all of its attachments, and
11 Exhibit No. 2 be admitted into evidence.

12 HEARING EXAMINER: Exhibit 1 and all the
13 attachments, and Exhibit No. 2 are admitted.

14 MS. MUNDS-DRY: And that concludes my
15 presentation this morning.

16 HEARING EXAMINER: Mr. Brooks?

17 MR. BROOKS: You said that one hundred percent
18 of the working interest was committed and all of the
19 royalty was either state or fee. You didn't say if all
20 the royalty interests are committed.

21 MS. MUNDS-DRY: Yes, they are committed.

22 MR. BROOKS: Okay. Of course, the state would
23 be, because they would -- the state's going to comit to
24 their -- the state is giving preliminary approval. But
25 the one hundred percent of the fee royalties are committed

1 too.

2 MS. MUNDS-DRY: Excuse me, Mr. Brooks, I should
3 have said that they are all committed, yes.

4 MR. BROOKS: Okay. Fine. That's all I have.

5 HEARING EXAMINER: So one hundred percent of the
6 working interest and hundred percent of royalties are
7 committed, right?

8 MS. MUNDS-DRY: Yes, sir.

9 HEARING EXAMINER: Well, we shouldn't be here in
10 the first place. Because that's why we're here, to make
11 sure that everybody is taken care of.

12 MS. MUNDS-DRY: Yes. We go through the
13 formalities, don't we, Mr. Ezeanyim?

14 HEARING EXAMINER: Yeah. Let's go back to that
15 attachment to Exhibit 1, which is the -- I don't remember
16 what you called it. Where you had those stars and your
17 rate.

18 MS. MUNDS-DRY: Yes.

19 HEARING EXAMINER: What is that?

20 MS. MUNDS-DRY: This is just simply showing
21 you -- the oil and gas traps are shown in red.

22 HEARING EXAMINER: Okay.

23 MS. MUNDS-DRY: So this is showing sort of where
24 they're targeting.

25 HEARING EXAMINER: Okay. And what is the

1 formation that you're targeting?

2 MS. MUNDS-DRY: It's the Fusselman-Montoya
3 Formation.

4 HEARING EXAMINER: Okay. Is this oil or gas or
5 both?

6 MS. MUNDS-DRY: That's what they're going to
7 find out.

8 HEARING EXAMINER: Okay.

9 MS. MUNDS-DRY: And Mr. Ezeanyiam, I noticed
10 that this cross-section is sort of hard to read the well
11 names, so it may be best to send you an electronic copy of
12 that, but I showed you that so you could read it while --

13 HEARING EXAMINER: It's not necessary.

14 MS. MUNDS-DRY: Okay.

15 HEARING EXAMINER: If there is nothing further,
16 Case No. 14495 will be taken under advisement.

17 MS. MUNDS-DRY: Thank you Mr. Examiner.

18 MS. MUNDS-DRY: Mr. Ezeanyim, I'm sorry, I know
19 you took the case under advisement, but my clients
20 reminded me that we would appreciate an expedited order in
21 this matter. We do have some leases expiring.

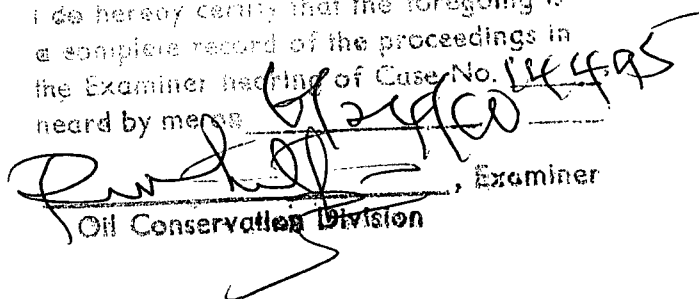
22 HEARING EXAMINER: When?

23 MS. MUNDS-DRY: August 10th. So it's not a
24 super rush job, but we do have some timing issues.

25 HEARING EXAMINER: Okay, so August 10th. Okay.

1 MS. MUNDS-DRY: Thank you, Mr. Ezeanyim.
2 HEARING EXAMINER: Okay.
3 (Whereupon, the proceedings concluded.)
4
5
6
7
8
9

10 I do hereby certify that the foregoing is
11 a complete record of the proceedings in
12 the Examiner hearing of Case No. 14495
13 heard by me as

14  , Examiner
15 Oil Conservation Division

16
17
18
19
20
21
22
23
24
25

1 STATE OF NEW MEXICO)
) ss.
2 COUNTY OF BERNALILLO)
3
4

5 REPORTER'S CERTIFICATE
6

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 accurate
11 record of said proceedings as the same were
12 recorded by me or under my supervision.

13 Dated at Albuquerque, New Mexico this
14 2nd day of June, 2010.
15
16
17

18 
19 _____
20 PEGGY A. SEDILLO, CCR NO. 88
License Expires 12/31/10
21
22
23
24
25