

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 14599

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner
DAVID K. BROOKS, Legal Examiner

February 17, 2011

Santa Fe, New Mexico

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This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
Hearing Examiner, and DAVID K. BROOKS, Legal Examiner,
on Thursday, February 17, 2011, at the New Mexico
Energy, Minerals and Natural Resources Department, 1220
South Street Francis Drive, Room 102, Santa Fe,
New Mexico.

REPORTED BY: Lisa Reinicke
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

A P P E A R A N C E S

For the Applicant:

JAMES BRUCE, Attorney at Law
369 Montezuma, No. 213
Santa Fe, New Mexico 87501
(505) 982-2043

I N D E X

PAGE

NO WITNESSES TESTIFIED

CERTIFICATE OF COMPLETION OF DEPOSITION 7

EXHIBITS MARKED/IDENTIFIED

1. Vefified State of Michelle Hanson 5

2. Affidavit of Notice 5

3. Affidavit of Publication 5

1 EXAMINER EZEANYIM: We are going back into
2 the docket. And at this time we are going to call case
3 number 14599. This is the application of Apache
4 Corporation for the compulsory pooling, Lea County,
5 New Mexico.

6 Call for appearances.

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

10 EXAMINER EZEANYIM: Any other appearances?
11 Okay. You may proceed.

12 MR. BRUCE: Mr. Examiner, I've handed you
13 three exhibits. The first one is affidavit of Michelle
14 Hanson, a landman for Apache. In this case Apache seeks
15 to force pool all mineral interests from the surface to
16 the base of the Drinkard formation underlying the
17 northwest quarter northwest quarter of Section 11, 20
18 South 38 east. This acreage will be dedicated to the
19 Magnolia Well Number 4, which will be drilled at an
20 orthodox oil well location.

21 If you turn back to Attachment A to the landman's
22 affidavit, it's just the land plat showing the location
23 of the well unit. Attachment B is a list of the
24 uncommitted interest owners. There's about maybe 2 and
25 a quarter percent of the interest owners who are not

1 committed to the well. These are unleased fee mineral
2 interests. This is fee land. And there are uniform
3 interests as to all depths as to all of these mineral
4 interest owners.

5 The highlighted people have unknown addresses. I
6 would note that there is common title throughout the
7 west half northwest quarter of this section. And this
8 is the fourth well Apache has drilled to the Drinkard in
9 that 80 acres. And they have had to force pool all of
10 these people. They have been trying to locate -- or
11 either make deals with these people or force pool -- or
12 locate or make deals with these people for going on
13 three years now. And they still have not been able to
14 either locate them or come to terms with the people.

15 Attachment C is the proposal letter that went out
16 the locatable interest owners. And then Attachment D is
17 the AFE for the well. The well costs are \$486,000
18 approximately for a dry hole and one \$1,384,000 for a
19 completed well. This is a vertical well, which
20 becomes -- they become rarer and rarer these days.

21 The applicant does request that the maximum cost
22 plus 200 percent risk charge be assessed against
23 non-consenting interest owners. And their requested
24 overhead rates are 6,000 a month for a drilling well and
25 6,000 per month for a producing well.

1 EXAMINER EZEANYIM: 6,000 for producing too?

2 MR. BRUCE: 6,000 and 600.

3 EXAMINER EZEANYIM: Okay.

4 MR. BRUCE: Exhibit 2 is my affidavit of
5 notice. I have mailed notice to these people, as I
6 said, four times now. And two people did not claim
7 their certified mail and one of the letters was picked
8 up. But as to the locatable people, they were given
9 notice and these addresses are valid. As a matter of
10 fact, I myself checked online on the White Pages or
11 Yellow Pages notices and these are valid addresses for
12 these people.

13 But, of course, there were a number of
14 unlocatable people so a notice was published in the
15 Hobbs newspaper, and that is submitted as Exhibit 3.

16 And with that, I'd ask that this matter be taken
17 under advisement and that a pooling order be issued.

18 EXAMINER EZEANYIM: Thank you.

19 MR. BROOKS: No questions.

20 MR. BRUCE: And if I didn't, I move the
21 admission of Exhibits 1 through 3.

22 EXAMINER EZEANYIM: Exhibits 1 through 3
23 will be admitted.

24 Has this well been drilled?

25 [Exhibits 1 through 3 admitted.]

1 MR. BRUCE: No, it has not been drilled.

2 EXAMINER EZEANYIM: So there is no API
3 number on it?

4 MR. BRUCE: I will check on that. I meant
5 to yesterday and I got caught up in some other stuff. I
6 will e-mail you as soon as I get back to my office.

7 EXAMINER EZEANYIM: Okay. Include in that
8 e-mail the footage -- you mentioned the location.

9 MR. BRUCE: The footage of that. I will get
10 you the footage. I do not have that. Oh, I do have it.
11 Mr. Examiner, the footage is 990 feet from the north
12 line and 330 from the west line.

13 EXAMINER EZEANYIM: Thank you. Okay. Then
14 give me, if you it, the API number.

15 MR. BRUCE: I will check on that.

16 EXAMINER EZEANYIM: Anything further?

17 MR. BRUCE: That's it, Mr. Examiner.

18 EXAMINER EZEANYIM: Then at this point case
19 number 14599 will be taken under advisement.

20 [Case 14599 taken under advisement.]

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

_____, Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

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I, Lisa Reinicke, New Mexico Provisional Reporter, License #P-405, working under the direction and direct supervision of Paul Baca, New Mexico CCR License #112, Official Court Reporter for the US District Court, District of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to 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.

Lisa R. Reinicke
Lisa R. Reinicke,
Provisional License P-405
License expires: 8/21/2011

Ex count: