

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. 14618

APPLICATION OF AMTEX ENERGY, INC.,  
FOR APPROVAL OF A UNIT AGREEMENT,  
LEA COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

RECEIVED OCD  
2011 APR 14 P 2:08

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

March 31, 2011

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, TERRY WARNELL, Technical Examiner, and DAVID K. BROOKS, Legal Examiner, on March 31, 2011, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis, Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Irene Delgado, NM CCR 253  
Paul Baca Professional Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, New Mexico 87102

A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, LLP

OCEAN MUNDS-DRY

110 N. Guadalupe, Suite 1

Santa Fe, NM 87501

I N D E X

EXHIBITS

Exhibit A offered and admitted

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1 EXAMINER WARNELL: Now, I believe, with that, that  
2 leaves us two cases, Case 14612.

3 MS. MUNDS-DRY: 18.

4 EXAMINER WARNELL: 14618, and that's by Affidavit?

5 MS. MUNDS-DRY: Yes, sir.

6 EXAMINER WARNELL: With that, call Case 14618,  
7 application of Amtex Energy, Inc., for approval of a unit  
8 agreement in Lea County, New Mexico. Call for appearances.

9 MS. MUNDS-DRY: Good morning, Mr. Examiners. My  
10 names is Ocean Munds-Dry, with the law firm Holland and Hart  
11 LLP, here representing Amtex Energy Inc., and I am presenting  
12 this case by Affidavit.

13 EXAMINER WARNELL: Enter your appearances.

14 (No response.)

15 MS. MUNDS-DRY: Thank you, Mr. Examiner. This is  
16 the application of Amtex Energy Inc., who seeks approval of  
17 the Dagger Exploratory Unit. The unit is proposed to be  
18 comprised of approximately 1,873 acres of State of New Mexico  
19 land and is located approximately 25 miles west of Eunice,  
20 New Mexico.

21 I have given to you what's been marked as Amtex  
22 Exhibit Number 1, which is the Affidavit of Sally Roberts.  
23 She is the petroleum geologist who is responsible and  
24 employed by Amtex for the Dagger Exploratory Unit. Attached  
25 to her Affidavit is the State Fee Exploratory Unit forms.

1 This is the unit agreement for the operation of the Dagger  
2 unit area.

3 Amtex proposes to test all formations from the  
4 surface to the base of the Bone Spring formation. The  
5 initial test well is proposed to be located at a standard  
6 location 1980 feet from the North Line and 1980 feet from the  
7 West Line of Section 30, Township 21 South, Range 33 East,  
8 and it will test all formations from the surface to an  
9 approximate total depth of 12,500 feet.

10 Attachment B to the Affidavit is the copy of the  
11 plat to the unit agreement which identifies the unit  
12 boundary. You can see the unit boundary is identified by a  
13 red dashed line and consists all of Sections 19, 30 and 31.  
14 100 percent of the working interest is committed to the unit.

15 As you can see in Attachment C, this is Exhibit B to  
16 the unit agreement, and it gives you the scheduled ownership.  
17 As I just mentioned, it shows 100 percent of the working  
18 interest is committed to the unit, and 100 percent of the  
19 royalty, which is State of New Mexico, is also committed to  
20 the unit.

21 Attachment D to the Affidavit is the letter from the  
22 Commissioner of Public Lands giving preliminary approval to  
23 the formation of the unit.

24 Attachment E to the Affidavit contains two different  
25 structure maps, one of the first Bone Spring Sand and one of

1 the Bone Spring Limestone. As you can see from both  
2 structure maps, the structure of the sand sets out potential  
3 for several stacked reservoirs of well developed sand under  
4 the unit acreage.

5 Attachment F to the Affidavit is two Net Sand  
6 Isolith Maps, one of the Second Bone Spring Sand, and one of  
7 the First Bone Spring Sand. These maps show that the  
8 thickest part of the First Bone Spring Sand comes from the  
9 North to the South in Section 31 and 30. And then in the  
10 Northeast Corridor goes then to the Northeast across the  
11 Southeast Corridor of Section 19.

12 Amtex Exhibit Number 2 is the AFE for the proposed  
13 initial test well. And, as Ms. Roberts testifies in her  
14 Affidavit, the development of this unit area is pursuant to  
15 unit plan and in the best interest of conversation, the  
16 prevention of waste, and protection of relative rights.

17 With that, Mr. Warnell, we would move the admission  
18 of Amtex Exhibit Number 1 and its attachments, and Exhibit 2.

19 EXAMINER WARNELL: Exhibit Number 1 and it's  
20 attachments and Exhibit Number 2 are admitted.

21 (Exhibits 1 and 2 admitted.)

22 MS. MUNDS-DRY: We ask this matter be taken under  
23 advisement.

24 EXAMINER BROOKS: Nothing from me.

25 EXAMINER WARNELL: You did say we have approval in

1 here from the --

2 MS. MUNDS-DRY: From the State Land Office, yes,  
3 sir.

4 EXAMINER WARNELL: We are going to be a little more  
5 focused on the State Land Office.

6 MS. MUNDS-DRY: I can understand why.

7 EXAMINER WARNELL: Very well, thank you. With that,  
8 Case Number 14618 will be taken under advisement.

9 MS. MUNDS-DRY: Thank you, Mr. Examiner.

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

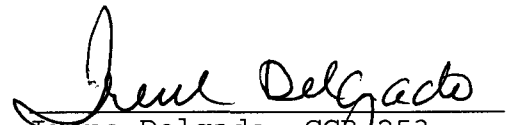
\_\_\_\_\_, Examiner  
Oil Conservation Division

## REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico CCR 253, DO HEREBY  
CERTIFY THAT ON March 31, 2011, 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 31st day of March 2011.

  
Irene Delgado, CCR 253  
Expires: 12-31-2011