

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. 12,390

APPLICATION OF TRILOGY OPERATING, INC., )  
 FOR COMPULSORY POOLING, LEA COUNTY, )  
 NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

May 4th, 2000

Santa Fe, New Mexico

CO MAY 23 AM 5:15

OIL CONSERVATION DIV.

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, May 4th, 2000, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

## I N D E X

May 4th, 2000  
 Examiner Hearing  
 CASE NO. 12,390

## PAGE

REPORTER'S CERTIFICATE

7

\* \* \*

## E X H I B I T

Applicant's	Identified	Admitted
Exhibit 1	3	6

\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

LYN S. HEBERT  
 Attorney at Law  
 Legal Counsel to the Division  
 2040 South Pacheco  
 Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

KELLAHIN & KELLAHIN  
 117 N. Guadalupe  
 P.O. Box 2265  
 Santa Fe, New Mexico 87504-2265  
 By: W. THOMAS KELLAHIN

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:21 a.m.:

3           EXAMINER CATANACH: Okay, at this time we'll call  
4   Case 12,390, the Application of Trilogy Operating, Inc.,  
5   for compulsory pooling, Lea County, New Mexico.

6           This case is also styled in the absence of  
7   objection, this matter will be taken under advisement.

8           Call for appearances at this time.

9           MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of  
10   the Santa Fe law firm of Kellahin and Kellahin, appearing  
11   on behalf of the Applicant.

12          EXAMINER CATANACH: Call for additional  
13   appearances. If there are no additional appearances in  
14   this case, Mr. Kellahin?

15          MR. KELLAHIN: Mr. Examiner, this case is  
16   presented to you pursuant to Division Rule 1207.A.(1). As  
17   you know, that is the process by which an Applicant, if  
18   there is no objection to a compulsory pooling case and  
19   where certain parties are not to be located despite the  
20   Applicant's diligent effort to find those parties, the  
21   Applicant is provided an opportunity to submit their  
22   presentation by affidavit, as opposed to bringing the  
23   witnesses here for a presentation before you.

24          The Exhibit Number 1 is organized so that you  
25   have available to you all the documentation required under

1 Rule 1207. Briefly, it's organized in this fashion:

2 The first enclosure is a copy of the Application.  
3 Behind the Application, then, is a locator plat. As you  
4 will see when you review this matter, Trilogy is seeking a  
5 compulsory pooling order for any oil production from the  
6 surface down to the base of the Abo formation. It's a 40-  
7 acre tract, being the northwest quarter of the southeast  
8 quarter of this section.

9 Behind the first tab you'll see the spacing unit  
10 identified.

11 Behind the locator plat, then, is a list of the  
12 interest owners in the 40-acre tract for whom there is no  
13 agreement. These are all unleased mineral owners. You'll  
14 find when you review this matter that their interest is  
15 undivided in the southeast quarter, so the 40-acre tract  
16 will be the same ownership as the southeast quarter.

17 If there is an address, that address represents  
18 Trilogy's best effort to find the most current and accurate  
19 address for that company or individual. They searched the  
20 county records, they used the various Internet searching  
21 systems to determine if there was a means to locate these  
22 parties for whom there is no address. And if you'll see,  
23 there is a notation next to certain interest owners to show  
24 that despite having located an accurate address to send  
25 them certified mail, got the green back, there has been no

1 response.

2 So the parties to be pooled are listed on Exhibit  
3 A. Behind Exhibit A is the certificate of notification for  
4 hearing today, plus copies of the green card.

5 You then get to the affidavit. It's organized  
6 this way: It's a composite affidavit signed off by a  
7 petroleum landman, petroleum geologist and a petroleum  
8 engineer, each one attesting to the various portions of a  
9 pooling application within their expertise. And then  
10 there's individually coded tabs that show for each of those  
11 disciplines the information.

12 For example, when you turn behind the geologic  
13 tab, there is a written geologic report. They attach the  
14 various geologic displays to support their conclusion that  
15 the entry of a pooling order in this case justifies the  
16 maximum risk factor penalty, and you can see by reading  
17 that narrative what they are basing that conclusion on.

18 There are four possible reservoirs that might  
19 available at this location for production: the Abo, the  
20 Drinkard and then the Tubb and the Blinebry. The Tubb and  
21 the Blinebry represent secondary objectives, the Drinkard  
22 and the Abo are the primary targets. There is substantial  
23 risk associated with each of those reservoirs, and it's  
24 described for you in the exhibit book.

25 The engineering data attests to the accuracy and

1 reliability of the AFE, and then there's the accounting  
 2 documentation showing proposed overhead rates. In this  
 3 instance, the operator is requesting \$4500 a month for a  
 4 drilling overhead rate and \$450 a month for a producing  
 5 overhead rate.

6 It is our position that Trilogy Operating Company  
 7 has complied with the requirements of 1207, and we request  
 8 that you admit at this time their Exhibit Number 1.

9 EXAMINER CATANACH: Exhibit Number 1 will be  
 10 admitted as evidence.

11 Anything further, Mr. Kellahin?

12 MR. KELLAHIN: No, sir.

13 EXAMINER CATANACH: All right, there being  
 14 nothing further in this case, Case 12,390 will be taken  
 15 under advisement.

16 (Thereupon, these proceedings were concluded at  
 17 8:25 a.m.)

18 \* \* \*

19  
 20  
 21 I do hereby certify that the foregoing is  
 22 a complete record of the proceedings in  
 23 the Examiner hearing of Case 12390,  
 24 heard by me on May 4, 1980.  
 25 David H. Catnach, Examiner  
 Oil Conservation Division

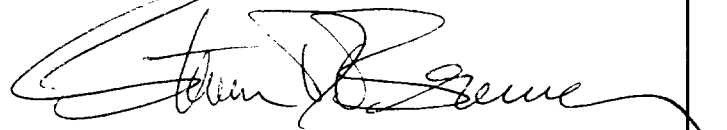
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO    )  
                                       )    ss.  
 COUNTY OF SANTA FE    )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL ~~May~~ 8th, 2000.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 2002