

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

CASE NO. 12,659

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

May 17th, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, May 17th, 2001, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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OIL CONSERVATION DIV.
01 MAY 31 AM 10:22

I N D E X

May 17th, 2001
Examiner Hearing
CASE NO. 12,659

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit book	5	-

* * *

A P P E A R A N C E S

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 9:06 a.m.:

3 EXAMINER STOGNER: At this time we'll go to page
4 3 and call Case Number 12,659, which is the Application of
5 Trilogy Operating, Inc., for compulsory pooling, Lea
6 County, New Mexico.

7 At this time I'll call for appearances.

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

11 EXAMINER STOGNER: Are there any other
12 appearances in this matter?

13 Let's see, I believe this case is a compulsory
14 pooling case for a 40-acre tract, for all minerals from the
15 surface to the base of the Abo, and it was advertised in
16 the absence that this case would be taken under advisement.

17 What do you have for me today, Mr. Kellahin?

18 MR. KELLAHIN: Mr. Stogner, we're asking you to
19 process this pooling case pursuant to the particular
20 provisions of Rule 1207 that in certain circumstances allow
21 you to accept the testimony of the expert witnesses by
22 affidavit.

23 There are collectively six interest owners whom
24 we either cannot find or who have elected not to respond.
25 The total uncommitted interest is approximately 1.6

1 percent. I have an exhibit book to present to you that
2 includes a composite affidavit that is attested to by a
3 petroleum landman, a petroleum geologist and a petroleum
4 engineer, and they cover all of the necessary requirements
5 set forth in the rule to submit this by affidavit, and I'd
6 like to do so at this time.

7 EXAMINER STOGNER: Mr. Kellahin?

8 MR. KELLAHIN: Mr. Examiner, when you open the
9 exhibit book there's my certificate of notification,
10 followed by that is the notification letter, the two green
11 cards showing service on two of the individuals. The other
12 two green cards were not returned. The last page shows you
13 the individuals for whom we're seeking compulsory pooling,
14 and it shows their mineral interest within the 40-acre
15 tract.

16 The next tab says "Application". Behind that
17 tab, in fact, is the affidavit.

18 The book then is supported by the individual work
19 product of the three experts.

20 Starting with the land, if you go behind the
21 green tab you'll see the 40-acre tract, followed by the
22 correspondence to the various individuals where the well
23 has been proposed and an AFE has been submitted to them.
24 March 15th represents the date on which these various
25 letters were sent.

1 There is followed by that a tabulation of the
2 various telephone calls and discussions with those parties
3 for whom they could make contact. In addition, there is a
4 discussion in the affidavit showing that for those parties
5 they could not find they made a record search of the public
6 records, they went on the Internet and used the various
7 Internet searches, trying to find the best available
8 address for those parties for whom there was no address.

9 So we believe they have exhausted a good-faith,
10 diligent effort to contact those individuals.

11 In addition, they are asking for an overhead rate
12 which is consistent with the Ernst and Young tabulation of
13 costs, and that is behind the full green sheet in the
14 table. And then followed by that is the copy of the
15 operating agreement.

16 The next tab section is the red one, has to do
17 with geology. There is a four-page -- I'm sorry, a three-
18 page written report by the geologist attesting to what he
19 is targeting. He describes Drinkard and the Abo as the
20 primary targets. He says the Tubb and the Blinebry are the
21 secondary targets. His written discussion deals with his
22 assessment of the risk involved. Associated with his
23 written description, in the back of the book, are the
24 various cross-sections and additional geologic displays to
25 support his conclusion.

1 The engineering information includes the AFE and
2 the Application for Permit to Drill, and it is executed by
3 the appropriate petroleum engineer.

4 So with that introduction, Mr. Stogner, we would
5 ask that you allow us to submit this exhibit book for your
6 consideration and issuing an order in this case.

7 EXAMINER STOGNER: Okay, to verify, the overhead
8 charges as I see marked behind the green tab is to be \$4500
9 while drilling and \$450 while producing?

10 MR. KELLAHIN: Yes, sir, and that's also
11 reflected in the affidavit. That is the rate they're
12 requesting.

13 In addition, the affidavit supports the issuance
14 by you of a pooling order that includes the 200-percent
15 risk factor.

16 EXAMINER STOGNER: Okay. Now, I show in the
17 advertisement that this well has been drilled. Is that
18 discussed in the geologic report or engineering report?

19 MR. KELLAHIN: At the time the Application was
20 filed, Trilogy, because of rig availability, elected to
21 commence the well. I am not able to tell you this morning
22 if it has yet been completed. I'll be happy to find that
23 out and provide that information to you.

24 EXAMINER STOGNER: At this point I'll take
25 administrative notice of the well file and the well records

1 that we have in the Division, either in our office or the
2 Hobbs office, and I might be contacting you subsequently.

3 MR. KELLAHIN: All right, sir. Thank you.

4 EXAMINER STOGNER: There appears that there's
5 nothing further in Case Number 12,659, then this matter
6 will be taken under advisement.

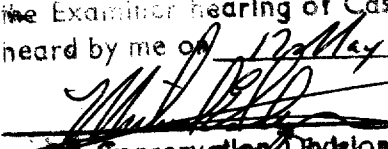
7 Thank you, Mr. Kellahin.

8 MR. KELLAHIN: Thank you.

9 (Thereupon, these proceedings were concluded at
10 9:13 a.m.)

11 * * *

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16 I do hereby certify that the foregoing is
17 a complete record of the proceedings in
the Examiner hearing of Case No. 12659
heard by me on 12 May 2001

18  , Examiner
19 On Conservation Division

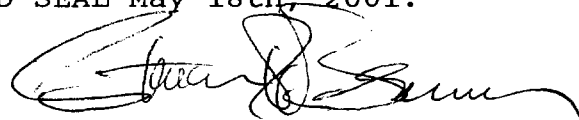
CERTIFICATE OF REPORTER

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 18th, 2001.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002