

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 SUNVALLEY ENERGY)
CORPORATION FOR COMPULSORY POOLING,)
LEA COUNTY, NEW MEXICO)

CASE NOS. 12,804

APPLICATION OF SUNVALLEY ENERGY)
CORPORATION FOR COMPULSORY POOLING,)
LEA COUNTY, NEW MEXICO)

and 12,805

(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner

February 7th, 2002
Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Hearing Examiner, on Thursday, February 7th, 2002, 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.

* * *

I N D E X

February 7th, 2002
 Examiner Hearing
 CASE NOS. 12,804 and 12,805 (Consolidated)

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit A	8	9
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Exhibit D	-	-
Exhibit E	7	-
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* * *

A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
110 N. Guadalupe, Suite 1
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

ALSO PRESENT:

DAVID R. CATANACH
Hearing Examiner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87501

* * *

1 WHEREUPON, the following proceedings were had at
2 9:01 a.m.:

3 EXAMINER BROOKS: Next case will be Case 12,084,
4 Application of SunValley Energy Corporation for compulsory
5 pooling, Lea County, New Mexico.

6 Call for appearances.

7 MR. CARR: May it please the Examiner, my name is
8 William F. Carr with the Santa Fe office of the law firm
9 Holland and Hart, L.L.P. We represent SunValley Energy
10 Corporation in this case.

11 This is a companion case to Case 12,805, and I
12 would request that since the evidence is virtually the same
13 in each of these cases, that they be consolidated for the
14 purpose of this hearing.

15 EXAMINER BROOKS: Are there any other appearances
16 in Case 12,804?

17 Very good, we will then call Case 12,805,
18 Application of SunValley Energy Corporation for compulsory
19 pooling, Lea County, New Mexico.

20 And Mr. Carr, we'll note your appearance also in
21 Case 12,805.

22 Are there any other appearances in Case 12,805?
23 There being none, the motion to consolidate for purposes of
24 hearing Case 12,805 and Case 12,804 will be granted.

25 Do you have any witnesses?

1 MR. CARR: No, sir, I do not.

2 EXAMINER BROOKS: Okay. Very good, you may
3 proceed.

4 MR. CARR: May it please the Examiner, SunValley
5 Energy Corporation is presenting these cases pursuant to
6 the alternative procedure authorized by Division Rule
7 1207.A.(1).(b), and what we're seeking is an order pooling
8 240-acre oil units for wells to be drilled to an
9 approximate depth of 4900 feet.

10 This alternative procedure is available where an
11 applicant is unable to locate all operators of interest to
12 be pooled and where the Application is also unopposed by
13 those who can be located. Here we're pooling certain
14 owners whose whereabouts is unknown, and also Devon Energy
15 Corporation who has advised us that they do not oppose the
16 Application.

17 The nature of the search of the records made by
18 SunValley is spelled out in the affidavit of Tony
19 Krakauskas, K-r-a-k-a-u-s-k-a-s. He's the vice president
20 of SunValley, and he prepared all the submittals attached
21 to the Application, and his affidavit confirming the
22 accuracy of those submittals is attached to the
23 Application.

24 As to those parties that we've been unable to
25 locate, the first is Ruth E. Rouse, R-o-u-s-e. The last

1 oil and gas lease from Ms. Rouse was taken in 1980, and at
2 that time she had an address of 1245 Cherry Street in
3 Denver, Colorado.

4 She no longer lives at this address, and her
5 whereabouts has been -- we've been unable to identify it
6 either through computer searches or telephone records. The
7 current resident at that address is unable to provide any
8 information as to her whereabouts. Residents of all
9 adjoining properties were contacted. No one there was able
10 to provide any information to us, except one neighbor
11 believes she may have moved to New Mexico about 15 years
12 ago. We again conducted the computer and telephone
13 searches in New Mexico; her whereabouts is unknown.

14 The second person who we have been unable to
15 locate is James Millward, M-i-l-l-w-a-r-d. He acquired his
16 interest in this property in 1930. There was no address on
17 the original deed to him. There is no record of any oil or
18 gas lease having ever been taken on this interest. There
19 is no evidence of any subsequent conveyance for Mr.
20 Millward. He does not appear in any computer or telephone-
21 record search of the area.

22 The third unknown and final unknown person is
23 Frankie Oldenburg, O-l-d-e-n-b-e-[sic]-r-g. She's the only
24 known direct heir of Clifton Clem, C-l-e-m, who died in
25 1988. No oil and gas lease was ever given by Ms.

1 Oldenburg. Her last known address was in Paramount,
2 California. The address was obtained from a sister of her
3 father, Mr. Clem. The address is seven or eight years old,
4 the sister has lost contact with Ms. Oldenburg, and a
5 search of the computer records in that portion of
6 California, in the Los Angeles general area, has produced
7 no information as to her whereabouts.

8 Those three individuals' whereabouts is unknown.

9 The final interest subject to pooling is an
10 interest of Devon Energy Corporation. SunValley has been
11 working with Devon on this matter since March of 2001. A
12 formal well proposal was delivered to them on November the
13 6th of 2001, and letters to Devon are attached to the
14 Application as Exhibit E.

15 Devon finally called SunValley in December of
16 this year and advised SunValley they would not oppose the
17 pooling Application. We did, however, provide notice of
18 the hearing and our Application in both of these cases,
19 they were provided to Devon, and they were advised of
20 today's hearing. They have not appeared in this matter.

21 Now, under this alternative procedure, an
22 applicant provides a map outlining the spacing units to be
23 pooled. The map is attached to each application as Exhibit
24 B. We are to provide the names of the formations and
25 pools. Those are identified on the compulsory pooling form

1 that I have delivered to the Examiner. These formations
2 involved are the San Andres and Queen formations. The oil
3 pools involved are the Undesignated East Bishop Canyon-San
4 Andres Pool and the Undesignated Bishop Canyon-Queen Pool.

5 Mr. Krakauskas prepared a structure map, which is
6 marked Exhibit F, and also attached what he has identified
7 as an executive summary. This summary reviews the reason
8 for trying to drill these wells and identifies the risk
9 involved, and it's spelled out in the executive summary.
10 But basically it shows that when you look at the structure
11 map, the target for each of these wells is a narrow
12 structural ridge. If they fail to penetrate this ridge on
13 the high, on the highest portion of it, the well will be
14 wet and not productive. And it also identifies offset
15 wells which miss the high, which in fact were wet and
16 nonproductive.

17 The overhead and administrative charges which
18 they seek are \$3602 a month while drilling and \$398 a month
19 while producing. Those are set forth on the compulsory
20 pooling forms we have filed.

21 And Exhibit A to each Application is the Ernst
22 and Young 2000-2001 survey of average rates which confirms
23 that these are, in fact, the appropriate rates for wells in
24 these areas to these depths. An AFE for each well is
25 attached as Exhibit H.

1 And based on this submittal, and pursuant to the
2 alternative procedure authorized, we request that the
3 Applications in each of these cases, based on the attached
4 affidavits, which we request be treated as the record, be
5 the basis for pooling orders entered by the Division for
6 each of the subject spacing units.

7 EXAMINER BROOKS: Very good. Does that conclude
8 your presentation?

9 MR. CARR: That concludes my presentation.

10 EXAMINER BROOKS: Okay, the affidavits and
11 attachments will be considered for the record for the
12 purposes of this case, together with your statement.

13 MR. CARR: Mr. Brooks, we have in each case as
14 Exhibit A the Application with the attached exhibits and
15 affidavit, and I have as Exhibit B in each case a notice
16 affidavit which confirms that the Applications were, in
17 fact, also provided to Devon Energy, and I would request
18 that the Exhibit A and B in each case be admitted into the
19 record.

20 EXAMINER BROOKS: Exhibits A and B will in each
21 case be admitted and made part of the record.

22 MR. CARR: Thank you, sir.

23 EXAMINER BROOKS: Assuming that all the
24 information on the form provided is correct, I don't
25 believe I have any further questions.

1 Mr. Catanach?

2 EXAMINER CATANACH: No, sir.

3 EXAMINER BROOKS: Very good, Cases Numbers 12,804
4 and 12,805 will be taken under advisement.

5 MR. CARR: Thank you, sir.

6 EXAMINER BROOKS: Thank you.

7 (Thereupon, these proceedings were concluded at
8 9:11 a.m.)

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I do hereby certify that the foregoing is
a true and correct copy of the proceedings as
the same were taken on February 7, 2002 at 12:04.
David K. Brooks Examiner
Oil Conservation Division

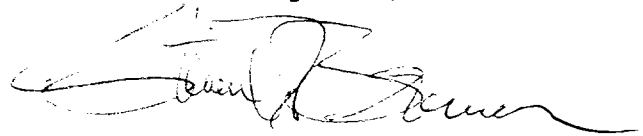
CERTIFICATE OF REPORTER

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 February 8th, 2002.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002