

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. 12,834
)
 APPLICATION OF TRILOGY OPERATING, INC.,)
 FOR COMPULSORY POOLING, LEA COUNTY, NEW)
 MEXICO)
 _____)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner

March 21st, 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, March 21st, 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.

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I N D E X

March 21st, 2002
Examiner Hearing
CASE NO. 12,834

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E X H I B I T S

Applicant's	Identified	Admitted
Land	4	-
Geology	5	-
Engineering	5	-

* * *

A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS
Attorney at Law
Energy, Minerals and Natural Resources Department
Assistant General Counsel
1220 South St. Francis Drive
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

ALSO PRESENT:

MICHAEL E. STOGNER
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 8:20 a.m.:

3 EXAMINER STOGNER: Call the hearing to order.
4 Please note today's docket number is 08-02. Today's date
5 is March 21st, 2002. Mr. Brooks and I will be the
6 appointed Examiners for various issues today.

7 At this time I'll turn it over to you, Mr.
8 Brooks.

9 EXAMINER BROOKS: At this time I'll call Case
10 Number 12,834, Application of Trilogy Operating, Inc., for
11 compulsory pooling, Lea County, New Mexico.

12 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
13 the Santa Fe law firm of Kellahin and Kellahin, appearing
14 on behalf of the Applicant.

15 EXAMINER BROOKS: Do you have any witnesses?

16 MR. KELLAHIN: No, sir. This is being presented
17 to you this morning pursuant to Division rules. We're
18 doing it by affidavit.

19 EXAMINER BROOKS: Okay, you may proceed, Mr.
20 Kellahin.

21 MR. KELLAHIN: Thank you, Mr. Examiner. If
22 you'll open Trilogy's exhibit book, it's divided into three
23 sections. There's a land section, a geologic section and
24 an engineering section.

25 If you'll turn past the affidavit and find the

1 yellow tab and look at the first display, you'll see that
2 there's a plat. We're trying to finish consolidation of
3 interests in this 40-acre tract. There are some tiny
4 interests that we've not been able to locate and have
5 chosen not to respond to our request.

6 If you'll take the yellow tab and turn one page
7 back to the front of the yellow tab, you'll see the list of
8 the owners. One more page, sir. There are the list of the
9 owners and all the percentages.

10 This is to be a well pooled from the surface down
11 through the base of the Abo. The production in this area
12 is Abo and Drinkard, and when you turn over to the geologic
13 summary behind the white tab, there's a written narrative.
14 And there's three pages of that, and if you turn to the
15 fourth page there will be a structure map.

16 You can see that there are wells existing in
17 Section 24. The wells to the south and to the east of the
18 Ruby 2 have been spotted. Those are wells that Trilogy has
19 drilled. And you'll see from the written geologic summary
20 that those five wells together do not produce more than 90
21 barrels a day. It's very marginal production.

22 The well cost is shown behind the engineering
23 display, and it's \$663,000. Their expectations for this
24 Ruby 2 well is that it may be a like kind well to the
25 Sapphire 1 well to the east. They're drilling this well to

1 perpetuate a leasehold position in the area. Frankly, I'm
2 not sure why they're spending \$663,000 on the well. It
3 sounds like a substantial amount of money, considering the
4 risk. The summary does show the geologic basis on which
5 they're doing it, and therefore the risk.

6 They've also summarized for you their efforts to
7 find these parties. I have an affidavit that's in the
8 binder. I have not been able to find them either. No one
9 has responded.

10 Pursuant to their usual operating procedures for
11 these other wells, they're asking for overhead rates of
12 \$4500 a month drilling well rate and \$450 a month producing
13 well rate.

14 They believe they have exhausted all opportunity
15 to find these parties, and they now have no other choice
16 but to ask you to pool them pursuant to the provisions of
17 the statute that allow us to submit this to you by
18 affidavit.

19 EXAMINER BROOKS: So all of the parties who are
20 being compulsory pooled are unlocated?

21 MR. KELLAHIN: The last addresses in here are
22 ones that they have found, but they don't work.

23 EXAMINER BROOKS: They don't -- The mail comes
24 back?

25 MR. KELLAHIN: Comes back, or wherever they go

1 there's no response. I don't know how they were delivered
2 except to tell you that no one has responded.

3 EXAMINER BROOKS: Okay.

4 MR. KELLAHIN: And they've gone on the Internet
5 and used all those searches available to them to try to
6 find better addresses for these people and --

7 EXAMINER BROOKS: And certified mail notices for
8 the hearing, have they been returned?

9 MR. KELLAHIN: I've shown you by the affidavit
10 that some of those -- two of those were accepted, one by a
11 bank in Midland, and then by a lady in Tennessee, this
12 Betty Martin. It was delivered to someone there, but I
13 have not been able to find those people, and Trilogy has
14 called and inquired and can't get a response from anyone.

15 EXAMINER BROOKS: Yeah. The others were returned
16 then, or --

17 MR. KELLAHIN: Yes, sir.

18 EXAMINER BROOKS: Okay.

19 MR. KELLAHIN: And we're pooling from the surface
20 down through the Abo.

21 EXAMINER BROOKS: Okay.

22 MR. KELLAHIN: They're all 40-acre tracts.

23 EXAMINER BROOKS: I've noticed the post office is
24 sometimes so slow about returning certified mail that
25 within three weeks it doesn't come back, although it often

1 does later.

2 But anyway, this is the northeast quarter of the
3 southwest quarter of Section 24?

4 MR. KELLAHIN: That's correct. Trilogy's first
5 efforts were back in December on the 18th, and the file
6 here before you indicates their efforts to contact these
7 people.

8 EXAMINER BROOKS: And Trilogy Operating, Inc.,
9 will be the operator?

10 MR. KELLAHIN: Yes, sir.

11 EXAMINER BROOKS: The pool is only for this 40
12 acres?

13 MR. KELLAHIN: Yes, sir.

14 EXAMINER BROOKS: No formations that are spaced
15 other than 40 acres --

16 MR. KELLAHIN: That's true.

17 EXAMINER BROOKS: -- are to be included?

18 And this is an oil prospect, I guess --

19 MR. KELLAHIN: It is.

20 EXAMINER BROOKS: -- Abo and Drinkard?

21 What is the pool designation?

22 MR. KELLAHIN: There are two that we can find.
23 It's Undesignated South Nadine-Drinkard-Abo.

24 EXAMINER BROOKS: Undesignated South --

25 MR. KELLAHIN: -- Nadine, N-a-d- --

1 EXAMINER BROOKS: I'm sorry.

2 MR. KELLAHIN: -- N-a-d-i-n-e.

3 EXAMINER BROOKS: Undesignated South Nadine- --

4 MR. KELLAHIN: -- Drinkard-Abo. And then the
5 other one is the Nadine-Drinkard-Abo.

6 EXAMINER BROOKS: Okay.

7 MR. KELLAHIN: The docket for the case lists some
8 others that the Division picked up. There's the Abo Pool,
9 and they call it -- There's a Nadine-Tubb Pool.

10 EXAMINER BROOKS: Is this tract within those
11 pools or associated, within a mile?

12 MR. KELLAHIN: They're subject to these pools
13 because they're within a mile.

14 EXAMINER BROOKS: Okay.

15 MR. KELLAHIN: And I misspoke. There's a Nadine-
16 Drinkard and then there's a Nadine-Blinebry. They're all
17 the ones listed on the docket sheet.

18 EXAMINER BROOKS: Nadine-Blinebry?

19 MR. KELLAHIN: Yes, sir.

20 EXAMINER BROOKS: Anything else?

21 MR. KELLAHIN: No, sir.

22 EXAMINER BROOKS: Okay. And of course you're
23 requesting the 200-percent penalty?

24 MR. KELLAHIN: Yes, sir. Pursuant to the
25 affidavits, there's a detailed description from the

1 geologist assessing the risk for you.

2 EXAMINER BROOKS: Very good. Anything further?

3 MR. KELLAHIN: No, sir.

4 EXAMINER BROOKS: Mr. Stogner, anything?

5 EXAMINER STOGNER: Nothing here.

6 EXAMINER BROOKS: Very good. Case Number 12,834
7 will be taken under advisement.

8 (Thereupon, these proceedings were concluded at
9 8:30 a.m.)

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Oil Conservation District


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 March 23rd, 2002.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002