

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. 13,616
APPLICATION OF UNIT PETROLEUM COMPANY)
FOR COMPULSORY POOLING, EDDY COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

January 5th, 2006

Santa Fe, New Mexico

2006 JAN 19 PM 4 25

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, January 5th, 2006, 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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Examiner Hearing
CASE NO. 13,616

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A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
 Deputy General Counsel
 Energy, Minerals and Natural Resources Department
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

JAMES G. BRUCE
 Attorney at Law
 P.O. Box 1056
 Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 8:45 a.m.:

3 EXAMINER CATANACH: Call Case 13,616, the
4 Application of Unit Petroleum Company for compulsory
5 pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
8 representing the Applicant. I have one witness.

9 EXAMINER CATANACH: Call for additional
10 appearances?

11 Will the witness please stand to be sworn in?

12 (Thereupon, the witness was sworn.)

13 FRED SCHANTZ,
14 the witness herein, after having been first duly sworn upon
15 his oath, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. BRUCE:

18 Q. Would you please state your name for the record?

19 A. Fred Schantz, S- --

20 Q. Where do you reside?

21 A. -- S-c-h-a-n-t-z, and I reside in Midland, Texas.

22 Q. Who do you work for and in what capacity?

23 A. I work for Unit Petroleum Company, and I'm the
24 district landman there.

25 Q. Have you previously testified before the

1 Division?

2 A. Yes, I have.

3 Q. And were your credentials as an expert petroleum
4 landman accepted as a matter of record?

5 A. Yes, they were.

6 Q. And are you familiar with the land matters
7 involved in this Application?

8 A. Yes, I am.

9 MR. BRUCE: Mr. Examiner, I'd tender Mr. Schantz
10 as an expert petroleum landman.

11 EXAMINER CATANACH: Mr. Schantz is so qualified.

12 Q. (By Mr. Bruce) Mr. Schantz, could you identify
13 Exhibit 1 for the Examiner and describe what Unit seeks in
14 this Application?

15 A. Yes, Exhibit 1 is a landplat highlighting the
16 south half of Section 29, Township 22 South, Range 28 East,
17 in Eddy County, New Mexico. Unit seeks to pool the south
18 half of Section 29 from 4000 feet subsurface to the base of
19 the Morrow formation. We also seek to pool the northeast
20 quarter of the southeast quarter and the southeast quarter
21 for 40- and 160-acre units.

22 Q. What -- and page 2 of Exhibit 1 is simply a
23 further breakdown of the tracts, is it not?

24 A. Yes, it is.

25 Q. And what is the location of the well?

1 A. The location is at 1340 feet from the south line
2 and 990 feet from the east line of Section 29.

3 Q. And that is orthodox for gas wells, is it not?

4 A. Yes, it is.

5 MR. BRUCE: Mr. Examiner, that location would be
6 unorthodox for an oil well completion, and we do not seek
7 approval for that location at this time.

8 Q. (By Mr. Bruce) Mr. Schantz, could you identify
9 Exhibit 2 for the Examiner?

10 A. Exhibit 2 lists the working interest owners in
11 the 320-acre well unit.

12 Q. Which of these parties does Unit seek to pool at
13 this hearing?

14 A. Chester J. Steubben, Alan D. Tuck, Jr., Larry
15 Turner, and Sande Wische.

16 Q. They collectively own what?

17 A. Oh, about a half a percent.

18 Q. About a half a percent?

19 A. Yes, sir.

20 Q. Let's discuss your efforts to obtain the
21 voluntary joinder of these parties in the well. What is
22 Exhibit 3?

23 A. Exhibit 3 contains copies of correspondence sent
24 to the uncommitted interest owners. This was done on
25 behalf of Unit and its partners. We mailed a proposal

1 letter to owners, to these owners, on October the 19th,
2 2005, and --

3 Q. This went to all the interest owners, did it not?

4 A. Yes, it did.

5 And then as well as a letter dated December 2nd,
6 2005.

7 Q. Now, this second letter, the December letter,
8 only went to the parties who you seek to pool at this time?

9 A. That is correct.

10 Q. All the other parties have joined in the well or
11 committed their interests?

12 A. That is correct.

13 Q. Besides these letters, did you have any other
14 contacts with these four uncommitted interest owners?

15 A. Yes, I did, I contacted them by telephone.

16 Q. And they just never gave any response?

17 A. They didn't seem interested, nor did they respond
18 in writing.

19 Q. Now, on these four interest owners, were they all
20 locatable?

21 A. Yes, they were.

22 Q. Okay. Could you identify Exhibit 4 for the
23 Examiner and discuss the cost of the proposed well?

24 A. Okay, Exhibit 4 is an AFE for the well. It is a
25 12,750-foot Morrow test with a dryhole cost of \$1,769,700

1 and a completed -- whoops, that's -- Is that correct?

2 Excuse me, that's \$1,907,200 dryhole cost and \$850,600
3 completed cost, for a total of \$2,757,800 completed cost.

4 Q. And is this cost fair and reasonable and in line
5 with the cost of other wells drilled to this depth in this
6 area of Eddy County?

7 A. Yes, it is.

8 Q. Does Unit request that it be named operator of
9 the well?

10 A. Yes, we do.

11 Q. And what do you request for overhead rates?

12 A. We request drilling rates of \$7000 per month and
13 producing rates of \$700 per month.

14 Q. And are these costs in line with the operating
15 costs charged by other operators in this area for wells of
16 this depth?

17 A. Yes, sir.

18 Q. Was notice given to the four uncommitted interest
19 owners?

20 A. Yes.

21 Q. And is Exhibit 5 the affidavit of notice?

22 A. Yes, it is.

23 Q. Now, if you turn to the last page of that
24 exhibit, Mr. Schantz, which indicates that the letter to
25 Alan Tuck, Jr., was unclaimed, is this -- You have spoken

1 with Mr. Tuck, have you not?

2 A. Yes, I have.

3 Q. And to the best of your knowledge, this is his
4 current address?

5 A. Yes, sir.

6 Q. And have you mailed other items to this address
7 that were not claimed?

8 A. Yes, that is correct. He routinely doesn't open
9 -- he doesn't open any or receive any mail having anything
10 to do with the oil industry.

11 Q. So he refuses certified mail?

12 A. That's correct.

13 Q. Okay. But to cover that event, Mr. Examiner,
14 submitted as Exhibit 6 is the affidavit of notice which
15 does name Mr. Tuck, so we did attempt the written notice,
16 and he also has been given publication notice.

17 Mr. Schantz, I forgot one question. In your
18 opinion, has Unit made a good faith effort to obtain the
19 voluntary joinder of these four parties in this well?

20 A. Yes, sir, I believe so.

21 Q. And were Exhibits 1 through 6 prepared by your or
22 under your supervision?

23 A. Yes, they were.

24 Q. And in your opinion, is the granting of this
25 Application in the interests of conservation and the

1 prevention of waste?

2 A. Yes, sir.

3 MR. BRUCE: Mr. Examiner, I'd tender for
4 admission Exhibits 1 through 6.

5 EXAMINER CATANACH: Exhibits 1 through 6 will be
6 admitted.

7 EXAMINATION

8 BY EXAMINER CATANACH:

9 Q. Mr. Schantz, did he -- did Mr. Tuck get anything
10 in writing from you guys, or did he just --

11 A. Well, I sent both the October 19th letter and the
12 -- by certified mail, as well as the December 2nd letter,
13 and I -- because the letters were returned, I did try to
14 contact him just to find out if the address was incorrect
15 or whatever, and he just said he never opens it, he just
16 trashes it when he --

17 Q. So he did get the October 19th letter?

18 A. He may have received it but just trashed it. He
19 doesn't even open the --

20 Q. Okay.

21 A. -- envelope.

22 Q. But you did, in fact, speak to him after that
23 date?

24 A. Yes.

25 Q. Okay. Anything further?

1 MR. BRUCE: No, sir.

2 EXAMINER CATANACH: Nothing further, Case Number
3 13,616 will be taken under advisement.

4 THE WITNESS: Thank you.

5 (Thereupon, these proceedings were concluded at
6 8:53 a.m.)

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13 I do hereby certify that the foregoing is
14 a complete record of the proceedings in
15 the Examiner hearing of Case No. 13616
16 heard by me on January 5, 2006
17 David R. H. [Signature], Examiner
18 Oil Conservation Division

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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 January 5th, 2006.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006