

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
18 January 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Ray H. Haskins for  
compulsory pooling, Lea County,  
New Mexico.

CASE  
8047

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501

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I N D E X

RAY H. HASKINS

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1  
2 MR. STOGNER: We'll call next  
3 Case Number 8047.

4 MR. PEARCE: That case is on  
5 the application of Ray H. Haskins for compulsory pooling,  
6 Lea County, New Mexico.

7 MR. KELLAHIN: If the Examiner  
8 please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing  
9 on behalf of Ray H. Haskins, and I have one witness to be  
10 sworn.

11 MR. PEARCE: Are there other  
12 appearances in this matter?

13 (Witness sworn.)

14 RAY H. HASKINS,  
15 being called as a witness and being duly sworn upon his  
16 oath, testified as follows, to-wit:

17  
18 DIRECT EXAMINATION

19 BY MR. KELLAHIN:

20 Q Mr. Haskins, for the record would you  
21 please state your name and occupation?

22 A My name is Ray H. Haskins. I'm an inde-  
23 pendent oil operator.

24 Q Mr. Haskins, have you previously testi-  
25 fied before the Oil Conservation Division?

A Yes, I have.

1  
2 Q And pursuant to this application have you  
3 prepared certain exhibits and testimony concerning the  
4 pooling case involved?

5 A Yes, I have.

6 MR. KELLAHIN: We tender Mr.  
7 Haskins as an expert witness.

8 MR. STOGNER: He is so quali-  
9 fied.

10 Q Mr. Haskins, let me direct your attention  
11 to what we've marked as Exhibit A, have you identify for us  
12 the spacing and proration unit that's involved in this  
13 pooling case.

14 A The area in question is the west half of  
15 Section 32, Township 12 South, Range 36 East.

16 Q What type of well do you propose to drill  
17 in this proration unit?

18 A I propose to drill a 10,500 foot Wolfcamp  
19 test.

20 Q All right, sir, and pursuant to forming a  
21 voluntary unit have you contacted various owners in the west  
22 half of Section 32 to see if you could either obtain a  
23 lease, a farmout, or otherwise have them participate in the  
24 drilling of the well?

25 A Yes, I have.

Q As of today do you have any interest  
owners that have not agreed to join you or otherwise parti-  
cipate?

1  
2 A There's one interest owner who has not  
3 agreed to join, participate, lease, or do anything. All the  
4 other mineral interest owners or leasehold owners have co-  
5 operated.

6 Q All right, sir. Would you identify for  
7 us what that percentage is and who are the owners of that  
8 interest?

9 A There's a 1.4 mineral interest unleased  
10 under the undivided under the west half. It is owned by  
11 four people, Mr. Max Nygaard of Dallas, Texas, his aunt,  
12 Daisy Keith, his wife, Alice Nygaard, and his daughter,  
13 Shirley Nygaard.

14 Q Have you had contacts with those individuals  
15 in order to obtain their joinder or leases of their  
16 unleased mineral interest in this acreage?

17 A During a four month period from September  
18 through December, 1983, I was in contact with Mr. Nygaard,  
19 who is the spokesman of the group. My landman called him on  
20 several occasions, made one trip to Dallas to talk to him in  
21 person. I have talked to him on several occasions. I have  
22 written him several letters. My landman has written him  
23 several letters.

24 The sum total result of all of our ef-  
25 forts has been zero.

Q All right, sir. Let's go through Exhibit  
B and have you identify your various efforts to lease the  
Nygaard-Keith interest, Mr. Haskins.

1  
2 A All right. Our first contact with him  
3 was in mid-September by telephone, by my landman, and at  
4 that time he expressed a willingness to cooperate, asked us  
5 to send him a lease, which we did.

6 Unfortunately, he never answered a let-  
7 ter, he never returned a telephone call. We would talk to  
8 him or write him a letter and two or three weeks later we  
9 would realize he had not responded. We would call him  
10 again; he'd talk on the telephone, ask for more information.  
11 I sent him geological information, talked to his geologist  
12 on two or three different occasions; I sent his geologist  
information.

13 During September, October, November, just  
14 various types of means to obtain a lease or to obtain his  
15 cooperation in joining in the drilling of a well.

16 This met with complete failure.

17 Q Based upon your contacts and your under-  
18 standing of who Mr. Nygaard is, is he a person that has suf-  
19 ficient knowledge of oil and gas operations to understand  
20 the consequences of a pooling order and what you were trying  
to do?

21 A Yes, he does. His last -- in one tele-  
22 phone conversation, first of all, he's a very wealthy man.  
23 He lives in -- is a member of the Board of SMU, or so he  
24 says, Southern Methodist University, and very active in  
civic affairs in Dallas.

25 He has a geologist on retainer.

1  
2 According to his statements to me he's very active in the  
3 oil business in other areas.

4 When I finally pinned him down on an an-  
5 swer on this of some sort, he informed me that he had miner-  
6 al interests scattered all around the country and that he  
7 never leased his interests. If he liked a prospect he'd  
8 join in the drilling of a well. If he didn't like it he  
9 would do nothing. If we wanted to drill it we could pay all  
10 expenses and carry him to the tanks.

11 Q Have you obtained leases from other indi-  
12 viduals in this area that are related to Mr. Nygaard?

13 A Yes, one interest in particular, a 90-  
14 acre interest was leased to us on a short term lease, and  
15 that man, Robert Sinclair of Dallas, was a member of this  
16 family and he said that -- I tried to get him to talk to Mr.  
17 Nygaard for me, and he said that Mr. Nygaard was a  
18 completely -- had his own way of doing business and it  
19 wouldn't do any good for me -- for him to talk to him.

20 Q Mr. Haskins, let me direct you to that  
21 portion of Exhibit B in which you have addressed Mr. Nygaard  
22 an actual AFE and have detailed for him exactly what you're  
23 willing to do with regards to his interest.

24 What letter is that?

25 A That is as of December the 20th, 1983.

Q Okay, and attached to that letter was the  
estimated itemized well costs.

A Yes.

1  
2 Q All right, sir. Is this is the estimated  
3 well costs that you anticipate to be involved in the  
4 drilling of this well?

5 A At the present time the footage rate on  
6 the drilling rate will be probably considerably less. All  
7 the other items will be essentially the same.

8 Q All right, sir. And the last attachment  
9 is documentation of the various phone calls that you've made  
10 to Mr. Nygaard.

11 A Yes.

12 Q All right. Let's turn to Exhibit Number  
13 C now, Mr. Haskins, and have you identify that for us.

14 A Exhibit C is a geologic report of the  
15 Tatum Wolfcamp Pool. It describes -- complete with two  
16 maps, one on the Devonian structure, one on the Wolfcamp  
17 structure.

18 It describes the geology, the strati-  
19 graphy, the structure, the pool, the history of when the  
20 wells -- the pool was discovered in 1957, how much oil was  
21 produced, and essentially what type of risk factor is  
22 involved in the drilling a well in this area.

23 Q All right, let's talk about the risk fac-  
24 tor, Mr. Haskins. Do you have a recommendation or opinion  
25 for the Examiner as to what the penalty factor should be as-  
26 sessed against Mr. Nygaard and his family interests in this  
27 unit?

28 A The penalty factor should be the maximum



1  
2 of money back plus 200 percent, because first of all, there  
3 have been four dry holes drilled in the pool as opposed to  
4 five producers.

5 The pool is essentially defined on three  
6 sides; it's possibly open to the north.

7 It's a combination of stratigraphic and  
8 structural pool. In other words, you've got to have poro-  
9 sity and permeability, has to be above water so it will pro-  
10 duce, and it also has to have not been drained by the pre-  
11 sent wells which have been producing for the last 25 years.

12 Q And all those factors are present, in-  
13 volved in the risk in drilling this well.

14 A Yes.

15 Q Where would you estimate that you will  
16 locate the well within the 320 acres?

17 A The well will be located in the southwest  
18 quarter, in all probability in the northwest of the south-  
19 west.

20 Q It will be at a standard location some-  
21 where in there.

22 A At a standard location.

23 Q All right. Let's turn to Exhibit D, Mr.  
24 Haskins, and have you identify that for us, please.

25 A Exhibit D is a model form operating  
agreement which I've drawn up and which will be used in the  
operation of the well. It's just a standard from operating

1 agreement with the minimum number of changes.

2 It shows on --

3 Q I was going to direct your attention to  
4 the COPAS attachment to the operating agreement,  
5 particularly with regard to the overhead charges involved in  
6 the drilling well rate and the producing well rate.

7 A Yes, on page three of the COPAS I've  
8 shown the drilling well rate as \$4000 per well per month and  
9 a producing well rate at \$400 per well per month.

10 Q Are these rates that you would propose be  
11 included in a compulsory pooling order, Mr. Haskins?

12 A Yes.

13 Q And in your opinion are those rates fair  
14 and reasonable for a well to this depth?

15 A Yes.

16 Q Were Exhibits A, B, C, and D prepared by  
17 you or compiled under your direction and supervision?

18 A Yes.

19 Q And in your opinion, Mr. Haskins, will  
20 approval of this application be in the best interest of con-  
21 servation, the prevention of waste, and the protection of  
22 correlative rights?

23 A Yes, it will.

24 Q What is your timing on the drilling of  
25 this well, Mr. Haskins?

A We're in a little bit of a bind because  
of my farmout agreements and leases will begin to expire.

before the end of March, and I was hoping to get the well drilled last year, if I'd of drilled it last year there would have been no problem, but now I'm beginning to run in- to pretty much a deadline.

Q All right, you understand the typical compulsory pooling order requires a subsequent 30-day notice to Mr. Nygaard and his family?

A Yes.

Q And you are requesting an expedited pooling order, if possible?

A Yes.

MR. KELLAHIN: That concludes my examination of Mr. Haskins.

# CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Haskins, your last telephone conversation with Mr. Nygaard was, I believe, on December 20th. That's what I have here on the back page of your Exhibit Number B, is that correct?

A Yes.

Q Did he ever say why at that time or any time before, why he didn't want to enter an agreement?

A His only comment was that he never leased his minerals and if he liked the geology he would pay his way. If he didn't, he wouldn't. That was his only comment.

MR. KELLAHIN: And you provided

1 him that geology?

2 A Yes, I provided the geology.

3 Q And when you say that, what all did you  
4 provide him with?

5 A Essentially what is shown here. I have a  
6 copy of a letter that -- on October 14th. It was a copy of  
7 a letter that I wrote to his geologist explaining the  
8 geology and at that time I sent him a copy of these two  
9 structure maps which are included.

10 Q This letter dated October 14th was to a  
11 Mr. Phil Porter. He's the geologist, I assume --

12 A Yes.

13 Q -- that you're speaking of.

14 MR. STOGNER: I have no further  
15 questions of Mr. Haskins.

16 Does anybody else have any  
17 questions of this witness?

18 Mr. Kellahin, did you enter  
19 these exhibits? I can't remember if you did or not.

20 MR. KELLAHIN: I'll move the  
21 introduction if we have not done so.

22 MR. STOGNER: Okay, if I have  
23 not done so, these will be accepted.

24 Is there anything further in  
25 Case Number 8047 this morning?

If not, this case will be taken  
under advisement.

## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY  
CERTIFY that the foregoing Transcript of Hearing before the  
Oil Conservation Division was reported by me; that the said  
transcript is a full, true, and correct record of the  
hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 8047  
heard by me on January 18 1984.

Michael E. Stogner, Examiner  
Oil Conservation Division