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IN DEEMX

R. M. WILLIAMS

Direct Examination by Mr. Carr

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E X H I B I T S

Applicant Exhibit One, Plat

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Applicant Exhibit Two, Tabulation

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Applicant Exhibit Three, Letters

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Applicant Exhibit Four, Notices

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Applicant Exhibit Five, AFE

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2 MR. STAMETS: We'll call then Case 7887.

3 MR. PEARCE: That case is on the appli-  
4 cation of Morris R. Antweil for compulsory pooling, Lea  
5 County, New Mexico.

6 MR. CARR: May it please the Examiner,  
7 my name is William F. Carr, with the law firm Campbell, Byrd,  
8 and Black, P. A., of Santa Fe, appearing on behalf of Morris  
9 R. Antweil.

10 We have one witness who needs to be  
11 sworn.

12  
13 (Witness sworn.)

14  
15 R. M. WILLIAMS,  
16 being called as a witness and being duly sworn upon his oath,  
17 testified as follows, to-wit:

18  
19 DIRECT EXAMINATION

20 BY MR. CARR:

21 Q Will you state your full name for the re-  
22 cord, please?

23 A R. M. Williams.

24 Q By whom are you employed?

25 A Morris R. Antweil.

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Q In what capacity?

A As an engineer.

Q Have you previously testified before this Commission and had your credentials as an engineer accepted and made a matter of record?

A Yes, I have.

Q Are you familiar with the application filed on behalf of Morris R. Antweil in this case?

A Yes, I am.

Q Are you familiar with the subject area and the proposed well?

A I am.

MR. CARR: Are the witness' qualifications acceptable?

MR. STAMETS: They are.

Q Mr. Williams, will you please summarize what you are seeking in this case?

A We seek an order pooling all the mineral interest from the surface to the base of the Abo formation, an approximate depth of 7800 feet, underlying the southwest quarter of the southeast quarter of Section 28, Township 19 South, Range 38 East, Lea County, New Mexico, and that this pooled proration unit be dedicated to a well to be drilled at a legal location thereon; that Morris R. Antweil be desig-

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2 nated as the operator of the well, and that the allocation of  
3 the cost of drilling the well and risks involved in drilling  
4 be considered in the order.

5 Q Mr. Williams, will you please refer to what  
6 has been marked for identification as Antweil Exhibit One,  
7 identify this and explain what it shows?

8 A Exhibit One is a land plat in the vicinity  
9 of the proposed pooled unit; the 40-acre pooled unit in the  
10 southwest quarter of the southeast quarter of Section 28 has  
11 been designated in yellow; the proposed location of our well  
12 is marked in red; and the location of other wells producing  
13 from the Yeso interval or the Abo interval in the vicinity  
14 have been designated with a green circle.

15 Q Is all the acreage in the spacing unit fee  
16 land?

17 A Yes, it is all fee acreage.

18 Q Will you now refer to Exhibit Number Two  
19 and review this for Mr. Stamets?

20 A Exhibit Two is a tabulation of the unleased  
21 mineral interests in this 40-acre proration unit. These parties  
22 consisting of -- an aggregate consisting of 31.25 percent,  
23 have not at this time been leased. Antweil does have leases  
24 and the right to drill from the other 68.75 percent of the  
25 mineral owners.

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2 Q Would you review for Mr. Stamets the ef-  
3 forts you've made to obtain voluntary joinder of each of the  
4 parties set forth on that exhibit?

5 A Yes. The first two parties, Muriel McNeill  
6 and Ruth Furneaux, are sisters and are represented by an at-  
7 torney, J. W. Neal. We have been in contact with them and  
8 negotiating with their attorney. We think we are very close  
9 to securing a lease but we're still arguing, or negotiating,  
10 on the prices to be paid in regard to roads and caliche, and  
11 to be included in the lease.

12 The First National Bank of Roswell, Trustee-  
13 ship, we have been in negotiation with them. We've been of-  
14 fering \$50 bonus, 3/16ths royalty, and 3-year term lease.  
15 We have agreed with them to reduce that to a 1-year term  
16 lease but they're still -- have been holding out for a quarter  
17 royalty and we have offered them the 3/16ths, like we have  
18 the rest of the people in the acreage, and have not secured  
19 a lease as yet. I think before a well is actually drilled  
20 we'll probably be successful in securing that.

21 The Barbara Christman Brown Estate, we've  
22 determined that there are three heirs to that estate and two  
23 of the heirs have been leased at this time, recently. Those  
24 two heirs represent half of this interest. The other half  
25 of the interest has been determined to be held by Beatrice

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2 Christman Brown, has half that interest, and we have secured  
3 leases from her in the past in this general area, and see no  
4 reason why we won't be able to secure a lease from her at  
5 this -- on this acreage when we can locate her, but she is  
6 out of pocket right now but I think we will acquire that  
7 lease.

8                   The Phillip Christman Estate, we have  
9 finally located or found the name of the executrix of the  
10 estate is Virginia M. Rake; lives in Memphis. We have what  
11 we think is a good address and phone number. We've written  
12 to her, the letters have not been returned. We've tried to  
13 phone and there's been no answer, and so we have not -- we're  
14 not sure we've made a contact there, but sooner or later we  
15 should be able to get hold of her in Memphis.

16                   The the final group of interests, the West-  
17 lakes, the Riderdon, and Cotner interests, are all represented  
18 by Westlake, speaks for all of them. We've offered them the  
19 same lease arrangements as we have the rest of the parties  
20 and they, instead of a 3/16ths royalty have requested a 1/5th  
21 royalty and said that they'd just as soon be force pooled if  
22 they didn't get their fifth royalty and would not join us in  
23 the drilling of the well.

24                   As evidence of our efforts in contacting  
25 these people, I do have for Exhibit Three copies of a series

1  
2 of correspondence with the different parties, these unleased  
3 mineral owners.

4 In addition to the written contacts there's  
5 been numerous phone calls that have been made with these  
6 parties.

7 Q Has Morris R. Antweil made a good faith  
8 effort to obtain -- to secure voluntary joinder of all inter-  
9 est owners in the spacing unit?

10 A Yes, we consider that we have.

11 Q Has notice of today's hearing been given to  
12 all those who are being pooled?

13 A Yes. Exhibit Four are copies of a notice  
14 that was furnished to each of these parties.

15 Q Will you now refer to Exhibit Number Five  
16 and review this for Mr. Stamets?

17 A Exhibit Number Five is our AFE cost esti-  
18 mate for the proposed well in this proration unit. The cost  
19 to drill, a 7800-foot test to the casing point is estimated  
20 at \$233,000.

21 The completion costs are estimated at  
22 \$247,000 for a total well cost of \$480,000.

23 Q Are these figures in line with what other  
24 operators in the area are charging for similar wells?

25 A Yes, they are.

1  
2 Q Are you prepared to make a recommendation  
3 to the Examiner concerning charges for overhead and admini-  
4 stration while drilling and producing the well?

5 A Yes. On this depth well we would currently  
6 request an administrative overhead charge of \$3000 per month  
7 while drilling operations are in progress and \$300 per month  
8 for a producing well.

9 Q Are these costs in line with what other  
10 operators are charging in the area?

11 A They are for this depth well.

12 Q And do you recommend that these figures be  
13 incorporated into any order which results from this hearing?

14 A Yes, we do.

15 Q Does Morris R. Antweil seek to be desig-  
16 nated operator of the proposed well?

17 A Yes, he does.

18 Q Are you prepared to make a recommendation  
19 to the Examiner as to the risk penalty that should be ass-  
20 essed against those interests who do not voluntarily parti-  
21 cipate in the drilling of the well?

22 A Yes. We would request a risk penalty of  
23 200 percent be assigned for those parties that are force  
24 pooled. I think if you would refer again to our Exhibit  
25 Number One, you'll notice there is approximately a mile and

1  
2 a half either to the southwest or a mile and a half to the  
3 northeast to the nearest production, so the well has some  
4 inherent risk of being successful.

5 The unleased mineral owners at this time  
6 that we -- that we've detailed can preclude this risk penalty  
7 either by leasing at reasonable terms or, if they don't con-  
8 sider it to be a risky venture, they can join.

9 Q In your opinion will granting this appli-  
10 cation be in the best interest of conservation, the prevention  
11 of waste, and the protection of correlative rights?

12 A Yes, it will.

13 Q Were Exhibits One through Five prepared by  
14 you or can you testify as to their accuracy?

15 A Or under my direction, yes.

16 MR. CARR: At this time, Mr. Stamets,  
17 we would offer Antweil Exhibits One through Five.

18 MR. STAMETS: These exhibits will be  
19 admitted.

20 MR. STAMETS: We have nothing further  
21 of this witness on direct.

22 MR. STAMETS: Any questions? He may  
23 be excused.

24 Anything further? The case will be  
25 taken under advisement.

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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. \_\_\_\_\_ heard by me on \_\_\_\_\_ 19\_\_\_\_.

\_\_\_\_\_, Examiner  
Oil Conservation Division

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