

1 NEW MEXICO OIL CONSERVATION DIVISION

2 STATE LAND OFFICE BUILDING

3 STATE OF NEW MEXICO

4 CASE NO. 10468

5
6 IN THE MATTER OF:

7
8 The Application of Ultramar Oil & Gas,
9 Limited, for compulsory pooling, Lea
10 County, New Mexico.

11
12
13
14 BEFORE:

15
16 DAVID R. CATANACH

17 Hearing Examiner

18 State Land Office Building

19 April 30, 1992

20
21
22 REPORTED BY:

23 DEBBIE VESTAL
24 Certified Shorthand Reporter
25 for the State of New Mexico

ORIGINAL

A P P E A R A N C E S

FOR THE APPLICANT:

KEMP, SMITH, DUNCAN & HAMMOND, P.C.
Post Office Box 2796
Midland, Texas 79702-2796
BY: J. RANDY TURNER, ESQ.

I N D E X

Page Number

Appearances

2

Certificate of Reporter

11

E X H I B I T S

Page Identified

Exhibit No. 1

8

Exhibit No. 1-A

8

Exhibit No. 1-B

8

Exhibit No. 2

8

Exhibit No. 3

8

Exhibit No. 4

8

Exhibit No. 5

8

Exhibit No. 6

8

1 EXAMINER CATANACH: Call the hearing
2 back to order at this time. Call Case 10468, the
3 application of Ultramar Oil and Gas, Limited, for
4 compulsory pooling, Lea County, New Mexico.

5 Are there appearances in this case?

6 MR. TURNER: Yes, Mr. Hearing
7 Examiner. My name is J. Randy Turner, attorney
8 with the Kemp, Smith, Duncan & Hammond law firm
9 out of Midland, Texas here representing Ultramar
10 Oil and Gas, Limited.

11 This case is an application for
12 compulsory pooling of the east half of Section
13 16, Township 21 South, Range 35 East, forming a
14 standard 320-acre gas spacing and proration unit
15 for any and all formation spaced on 320-acre
16 spacing.

17 This unit is to be dedicated to the
18 existing well known as the Petro-Quest Osudo
19 State Com. Well No. 1, which was drilled in 1989
20 at a standard gas well location, 1980 feet from
21 the north and east lines. That's Unit G of said
22 Section 16. This well was drilled two years ago,
23 nearly three years ago now, and has been
24 producing ever since. The well is now a marginal
25 producing well.

1 I have no witnesses for this hearing.
2 This hearing was brought -- or this case was
3 filed at the demand of the state of New Mexico to
4 get a communitization agreement covering the east
5 half of 16 in place.

6 A communitization agreement was
7 prepared at the time the well was drilled and was
8 circulated and was executed by all of the parties
9 required to execute the communitization agreement
10 except Miller Deck Oil Company. Miller Deck Oil
11 Company was merely the owner of record title of
12 the lease in the northeast quarter of Section 16,
13 owning no operating rights or working interest in
14 any portion of Section 16. They owned only the
15 bare legal title as reflected by the records of
16 the state of New Mexico.

17 I have made, as the attorney
18 representing Ultramar, I have made numerous
19 attempts to get the execution of the
20 communitization agreement by Ultramar. They have
21 never executed the agreement. They are very slow
22 about responding. We have made numerous phone
23 calls. I have sent numerous letters to them
24 requesting that they execute the communitization
25 agreement.

1 Execution of the communitization
2 agreement would not affect any interest of Miller
3 Deck Oil Company. And this compulsory pooling is
4 requested merely for the purpose of getting their
5 interest committed to the unit so that the state
6 of New Mexico will allow Ultramar to continue to
7 operate the well.

8 I have exhibits prepared that reflect
9 the communitization agreement as executed by all
10 of the parties. I also have prepared an exhibit
11 reflecting the ownership of the leasehold estate
12 in the east half of Section 16, which reflects
13 that Miller Deck in fact only owns record title
14 interest.

15 I have also included copies of the
16 correspondence to Miller Deck Oil Company trying
17 to get them to execute the communitization
18 agreement. At one point our discussions were
19 proceeding so that it looked like we were going
20 to get them to execute the agreement; however,
21 they demanded then that Ultramar give them that
22 indemnification agreement to protect them from
23 any loss or harm.

24 Ultramar conceded that they would give
25 such an indemnification agreement. Miller Deck

1 asked for financial information regarding
2 Ultramar, which we happily furnished to them. We
3 furnished them the financial information and the
4 indemnification agreement, but we never heard
5 back from the people at Miller Deck.

6 Most recently I sent by certified mail,
7 as required by the compulsory pooling statute,
8 advising Miller Deck of the filing of this
9 application and the hearing date. And to my
10 knowledge they have not entered any appearance,
11 and I have heard nothing from them regarding
12 these proceedings.

13 I would move the admission of these
14 exhibits and ask that you take this matter under
15 advisement. And we would respectfully request an
16 order compulsory pooling the interest of Miller
17 Deck Oil Company to effectively commit them to
18 the communitization agreement that I am
19 submitting at this time.

20 EXAMINER CATANACH: Are your exhibits
21 marked, Mr. Turner?

22 MR. TURNER: Yes, they are.

23 EXAMINER CATANACH: Are they numbered
24 in some fashion?

25 MR. TURNER: Yes, they are. Yes. It

1 looks like I got them out of order sifting
2 through them, but I'll put them back in order.

3 EXAMINER CATANACH: Six exhibits?

4 MR. TURNER: Actually there are eight
5 exhibits. There is an Exhibit 1, 1-A, and 1-B.

6 EXAMINER CATANACH: Exhibits 1, 1-A,
7 1-B, and 2 through 6 will be admitted as exhibits
8 in this case.

9 The interest of Miller Deck, it's not a
10 working interest?

11 MR. TURNER: That is correct. It is
12 merely a record title interest as reflected by
13 the State Land Office records. Miller Deck
14 assigned its operating rights out many years ago,
15 so they own no economic interest in any part of
16 the east half of Section 16.

17 EXAMINER CATANACH: Who did they assign
18 those out to?

19 MR. TURNER: A company called Warrior,
20 Inc. And Warrior, Inc. farmed out its interest
21 to Petro-Quest Exploration, who subsequently
22 assigned to Ultramar and Santa Fe Energy
23 Operating Partners. All of the other parties who
24 own any economic interest have executed the
25 communitization agreement.

1 EXAMINER CATANACH: So the Deck
2 interest would be a non-cost --

3 MR. TURNER: Exactly.

4 EXAMINER CATANACH: -- bearing
5 interested and a non-revenue?

6 MR. TURNER: And a non-revenue interest
7 as well. The statute and the regulations of the
8 State Land Office require that a communitization
9 agreement for state lands be executed by the
10 record title owners, as reflected by the
11 directors of the State Land Office.

12 In a rare instance like this when the
13 operating rights have been separated from the
14 record title interest, the owner of the record
15 title interest really has no interest in the well
16 that's being drilled and has really no interest
17 in executing the communitization agreement
18 because it does not affect him in any way.

19 And in this case Miller Deck has simply
20 taken the position that since they have no
21 interest in it, they will do nothing.

22 EXAMINER CATANACH: There really is no
23 point in assigning any risk penalty or overhead
24 charges?

25 MR. TURNER: Not at all. And we have

1 asked for none. The only effect of the order
2 that we asked for would be to commit the
3 operating rights to the communitization
4 agreement. Basically it is an administrative
5 procedure.

6 The operating rights themselves, as far
7 as we're concerned, are committed, but as far as
8 the State Land Office is concerned, they are not
9 committed.

10 EXAMINER CATANACH: Anything further,
11 Mr. Turner?

12 MR. TURNER: That's all I have.

13 EXAMINER CATANACH: There being nothing
14 further, Case 10468 will be taken under
15 advisement.

16 MR. TURNER: Thank you.

17 [And the proceedings were concluded.]

18

19

20

21

22

23

24

25

I do hereby certify that the foregoing is
a correct and true copy of the
record as shown to me by the
County Clerk, April 30 1992.
David R. Calant, Recorder
of the County of Santa Clara

1 CERTIFICATE OF REPORTER

2 STATE OF NEW MEXICO)

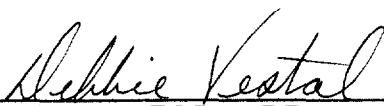
3) ss.

4 COUNTY OF SANTA FE)

5 I, Debbie Vestal, Certified Shorthand
6 Reporter and Notary Public, HEREBY CERTIFY that
7 the foregoing transcript of proceedings before
8 the Oil Conservation Division was reported by me;
9 that I caused my notes to be transcribed under my
10 personal supervision; and that the foregoing is a
11 true and accurate record of the proceedings.

12 I FURTHER CERTIFY that I am not a
13 relative or employee of any of the parties or
14 attorneys involved in this matter and that I have
15 no personal interest in the final disposition of
16 this matter.

17 WITNESS MY HAND AND SEAL May 6, 1992.

18
19
20
21 
22 DEBBIE VESTAL, RPR
23 NEW MEXICO CSR NO. 3
24
25