

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

11 July 1984

EXAMINER HEARING

IN THE MATTER OF

Application of Getty Oil Company
for compulsory pooling, Chaves
County, New Mexico.

CASE
8257

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

For the Applicant:

William F. Carr
Attorney at Law
CAMPBELL & BLACK P.A.
P. O. Box 2208
Santa Fe, New Mexico 87501

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LARRY McCARTER

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DON J. STEINNERD

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3 MR. STAMETS: We'll call next
4 Case 8257, which is on the application of Getty Oil Company
5 for compulsory pooling, Chaves County, New Mexico.

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

10 I have two witnesses who need
11 to be sworn.

12 MR. STAMETS: Are there any
13 other appearances in this case?

14 I'd like both witnesses to
15 stand and be sworn at this time, please.

16 (Witnesses sworn.)

17 LARRY McCARTER,
18 being called as a witness and being duly sworn upon his
19 oath, testified as follows, to-wit:

20 DIRECT EXAMINATION

21 BY MR. CARR:

22 Q Will you state your full name and place
23 of residence?

24 A Larry McCarter, and I live at 2003 Hunt-
25 ington, Midland, Texas.

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Q By whom are you employed?

A Getty Oil Company.

Q In what capacity?

A Landman.

Q Have you previously testified before this Commission?

A No, sir.

Q Would you briefly summarize for Mr. Stamets your educational background and your work experience.

A I have a Bachelor of Science degree from Texas Tech University. I have a Bachelor's degree in business administration from Texas Wesleyan College and a Master's in business administration from the University of Texas, Permian Basin.

I have worked for Getty Oil Company as a landman for the last six years and I'm a member of the Association of Petroleum Landmen, the New Mexico Landmen's Association, and the Permian Basin Landmen's Association.

Q Are you familiar with the application filed in this case on behalf of Getty Oil Company?

A Yes, sir.

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

A Yes, sir.

MR. CARR: Are the witness' qualifications acceptable?

MR. STAMETS: They are.

1 Q Mr. McCarter, would you briefly state
2 what Getty is seeking with this application?

3 A Getty Oil Company seeks an order pooling
4 all mineral interest in the Abo formation underlying the
5 northwest quarter of Section 20, Township 6 South, Range 26
6 East, Chaves County, New Mexico.

7 Getty Oil Company plans to drill a 4,200
8 foot Abo well at a location of 1980 from the north line and
9 660 feet from the west line of Section 20.

10 We also request that the cost of drilling
11 and completing the well, along with the actual operating
12 costs and charges for the well, be considered, as well as
the risk involved in drilling the well.

13 Q Have you prepared certain exhibits for
14 introduction in this case?

15 A Yes, sir.

16 Q Would you please refer to what has been
17 marked for identification as Getty Exhibit Number One, iden-
18 tify this, and review it for Mr. Stamets?

19 A Okay. Exhibit Number One basically is a
20 plat of Township 6 South, Range 26 East, Chaves County, New
Mexico.

21 It shows on there the leasehold position
22 of Getty Oil Company in that township.

23 The acreage that is colored in green is
24 acreage that is owned 100 percent leasehold interest by Get-
25 ty Oil Company.

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2 The yellow shaded acreage is acreage that
3 -- where Getty has a partial leasehold interest. In parti-
4 cular we're talking about the northwest quarter of Section
5 20. Getty has, in that 160-acre tract, Getty has 152.73 net
6 acres currently leased, which would provide them with
7 95.45625 percent working interest in the 160-acre proration
unit.

8 There is -- Mrs. Marvin Johnson owns 7.27
9 undivided net acres in the north half of the northwest quar-
10 ter of Section 20, which would provide her with 4.54375 per-
11 cent working interest in the proposed well.

12 Q Is the acreage of Mrs. Marvin Johnson the
13 only acreage which has not been voluntarily committed to the
14 proposed well?

15 A Yes.

16 Q And on this plat you have indicated the
17 location of the proposed well?

18 A Yes, sir.

19 Q And what is the footage location for that
20 well?

21 A Okay, it's 1980 from the north line and
22 660 feet from the west line.

23 Q Is that a standard location?

24 A Yes, sir.

25 Q Would you please review for Mr. Stamets
the effort you've made to obtain voluntary joinder in this
well by Mrs. Johnson?

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2 A Okay. In February 1984 -- let me back up
3 just a moment.

4 There's 34 mineral owners in this 80-acre
5 tract, being the north half of the northwest quarter.

6 In February of '84 we started leasing
7 from these mineral owners. To date we've acquired a lease
8 on everybody in there except Mrs. Johnson.

9 A broker on behalf of Getty Oil Company
10 in Roswell, New Mexico contacted Mrs. Johnson in an effort
11 to obtain a lease from her. Shortly after that, probably in
12 about March, I made phone call to Mrs. Johnson and was not
13 able to speak with her. Her husband referred me to her son-
14 in-law, whose name is Mr. Herb Helbig, and who lives in Cor-
15 pus Christi, Texas.

16 Subsequent to that I had several phone
17 calls to Mr. Johnson in an effort to lease the interest of
18 his mother-in-law, Mrs. Marvin Johnson.

19 Our broker in Roswell, New Mexico had
20 several phone calls with Mr. Helbig, and we never were able
21 to agree to an oil and gas lease covering the interest of
22 Mrs. Marvin Johnson.

23 On June the 6th, 1984 I sent a letter,
24 certified mail, to Mrs. Johnson with a carbon copy to her
25 son-in-law who again was representing her interest, which in
the letter states that Getty is proposing to drill the 4,200
foot well at the location in the northwest quarter of Sec-
tion 20, and we gave her basically three alternatives in the

1 letter. This was at the request of her son-in-law and that
2 was -- the first alternative was to join in the well and pay
3 her proportionate share of the well costs and operating ex-
4 penses.

5 Attached to the letter we mailed her an
6 AFE for the proposed well.

7 And the other alternative was to be sub-
8 ject to a compulsory pooling order by the New Mexico Oil
9 Conservation Division with an appropriate nonconsent penalty
10 which would be determined by the Commission.

11 And then the third alternative is if she
12 did not desire to take either of those alternatives, was to
13 lease to Getty Oil Company on a mutually acceptable oil and
14 gas lease.

15 To date we have not had a response from
16 this letter.

17 Q Is a copy of this letter included with
18 your exhibits, marked Getty Exhibit Number Two?

19 A Yes.

20 Q Have you had any communications with the
21 Johnsons, Mrs. Johnson, since that time?

22 A No, sir.

23 Q Would you refer to what has been marked
24 for identification as Getty Exhibit Number Three and ident-
25 ify this for Mr. Stamets?

A Okay. This is the notice that the Camp-
bell, Byrd, and Black law firm served Mrs. Johnson with a

1 notice of the compulsory pooling hearing which we have on
2 the docket today.

3 Q And do you have a return receipt indicat-
4 ing that that letter was in fact received?

5 A Yes, sir.

6 Q In your opinion have you made a good
7 faith effort to obtain the voluntary joinder of Mrs. Johnson
8 in this well?

9 A Yes, sir.

10 Q Have you made an estimate of overhead and
11 administrative costs while drilling this well and also pro-
12 ducing this well, if in fact it is successful?

13 A Yes, sir.

14 Q And what are those figures?

15 A The drilling well rate is \$2115 per month
16 and the producing well rate will be \$327 per month.

17 Q Are these figures in line with what's
18 being charged by other operators in the area?

19 A Yes, sir.

20 Q Do you recommend that these figures be
21 incorporated into the order which will result from this
22 hearing?

23 A Yes, sir.

24 Q Does Getty seek to be designated operator
25 of the proposed well?

A Yes, sir.

Q Mr. McCarter, were Getty Exhibits One,

1
2 Two and Three either prepared by you or can you testify as
3 to their accuracy?

4 A Yes, sir.

5 MR. CARR: Mr. Stamets, at this
6 time we would offer into evidence Getty Exhibits One, Two
7 and Three.

8 MR. STAMETS: These exhibits
9 will be admitted.

10 MR. CARR: We have nothing fur-
11 ther of Mr. McCarter on direct.

12 CROSS EXAMINATION

13 BY MR. STAMETS:

14 Q Mr. McCarter, is there a voluntary
15 operating agreement in effect on this well?

16 A Not currently, there is not.

17 We have -- in the letter I indicated to
18 her if she elected to --

19 Q Excuse me, let me rephrase that. Are
20 there parties to this well who have already agreed to a
21 voluntary operating agreement?

22 A No, sir, Getty is the only party under
23 the operating agreement.

24 MR. STAMETS: Any other ques-
25 tions of the witness? He may be excused.

MR. CARR: At this time I'd
call Mr. Steinnerd.

DON J. STEINNERD,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place of residence?

A My name is Donald J. Steinnerd. I reside at 4012 Fiesta, Hobbs, New Mexico.

Q By whom are you employed and in what capacity?

A I'm employed by Getty Oil Company as Area Engineer of the Hobbs Area Office.

Q Have you previously testified before this Commission or one of its examiners and had your credentials accepted and made a matter of record?

A Yes, I have.

Q Are you familiar with the application filed on behalf of Getty in this case?

A Yes, I am.

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

A Yes.

Q Are the witness' qualifications acceptable?

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A They are.

Q Mr. Steinnerd, will you refer to what has been marked for identification as Getty Exhibit Number Four and identify that, please?

A Exhibit Number Four is an AFE for the proposed well. The dry hole costs are estimated as \$164,764. The total completion cost at \$305,607.

Q Are these costs in line with what's being charged by other operators in the area for similar wells?

A Yes, they are.

Q Have you drilled other wells or worked with Getty in the drilling of other wells in the same formation, in the Abo formation, in the immediate area?

A Yes, we have.

Q Are you prepared to make a recommendation to the Examiner as to the risk penalty that should be assessed against any nonconsenting working interest owners?

A Yes, Getty would recommend the actual cost plus 200 percent penalty.

Q And upon what do you base that recommendation?

A I base that recommendation on the risk involved of being able to successfully complete a well in the Abo formation, as well as total risk involved including, one, just being able to complete a well, having a successful well as far as a commercial well, and secondly, there's always the potential for future losses for mechanical reasons

1 prior to abandonment.

2 Q In the Abo formation in this area, are
3 you aware of situations where successful wells have been
4 offset by dry holes in the same formation?

5 A Yes.

6 Q Do you believe there is a potential for
7 drilling a well that would not be a commercial success at
8 the proposed location?

9 A Yes.

10 Q In your opinion would granting this ap-
11 plication be in the best interest of conservation, the pre-
12 vention of waste, and the protection of correlative rights?

13 A Yes.

14 Q Was Exhibit Number Four prepared by you
15 or can you testify as to its accuracy?

16 A Yes, I can.

17 MR. CARR: At this time, Mr.
18 Stamets, we would offer into evidence Getty Exhibit Number
19 Four.

20 MR. STAMETS: Exhibit Number
21 Four will be admitted.

22 MR. CARR: I have nothing fur-
23 ther on direct.

24 MR. STAMETS: Are there any
25 questions of the witness? He may be excused.

Anything further in this case?

MR. CARR: Nothing further, Mr.

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Stamets.

MR. STAMETS: The case will be
taken under advisement.

(Hearing concluded.)

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 Con-
servation Division was reported by me; that the said tran-
script 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. 8257
heard by me on 7-11-1989.

Richard H. Smith, Examiner
Oil Conservation Division