

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date JANUARY 30, 1985 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
R. R. Kargusch	El Paso Natural Gas Co	El Paso, TX.
Karen Aubrey	Kelladmit Kellahn	Santa Fe
Bruce Seltzer	Amoco	Midland.
Jim Bruce	Hughes Law Firm	Santa Fe
Bob Huber	Bryman	Santa Fe
Kathleen Maguire	Amoco Production Co	Houston, TX
Ernest L. Padilla	ATTY AT Law	Santa Fe
W. D. Kellahin	Kellahin & Kellahin	Santa Fe
Jim King	Henry Engineering	Midland
Robb	Envi Corp.	MIDLAND.
Scott Hall	Campbell & Black	SF
Harrold	Citrus Service Oil & Gas Corp	MIDLAND
BRUCE BARTHEL	Bison Pet. Corp	Amerville
J. S. PERLINSKY	ATTY - AT LAW	ABQ
Frank Chavez	OCD	Attec

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<i>N. J. Hap Kearns</i>	<i>Mobil Producing Tex. N.M.</i>	<i>Houston, TEXAS</i>
<i>R. Gudranovics</i>	<i>Mobil Producing Tex & N.M.</i>	<i>Houston, Tx.</i>
<i>GORDON TATE</i>	<i>Mobil Prod. Tex. & N. Mex.</i>	<i>Midland, Tx.</i>
<i>DAVE DLOWHI</i>	<i>GARY-WILLIAM OIL</i>	<i>DENVER</i>

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

30 January 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Amerind Oil Company
for compulsory pooling Lea County,
New Mexico.

CASE
8457

Application of Amerind Oil Company
for compulsory pooling Lea County,
New Mexico.

CASE
8458

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

James G. Bruce
HINKLE LAW FIRM
P. O. Box 2068
Santa Fe, New Mexico 87501

A P P E A R A N C E S

For Pennzoil: Karen Aubrey
Attorney at Law
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501

I N D E X

STATEMENT BY MR. BRUCE 4

BILL SELTZER

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Amerind Exhibi Two, Schedule 6

Amerind Exhibit Three, Schedule 8

Amerind Exhibit Four, AFE 9

Amerind Exhibit Five, AFE 9

Amerind Exhibit Six, COPAS Form 10

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2
3 MR. STOGNER: We will now call
4 Case Number 8457.

5 MR. TAYLOR: The application of
6 Amerind Oil Company for compulsory pooling, Lea County, New
7 Mexico.

8 MR. STOGNER: Call for appear-
9 ances in this matter at this time.

10 MR. BRUCE: Mr. Examiner, my
11 name is Jim Bruce from the Hinkle Law Firm in Santa Fe.

12 I have one witness to be sworn,
13 and at this time I would also request that Case 8458 be
14 heard along with Case 8457.

15 MR. STOGNER: Are there any ob-
16 jections to consolidating these two cases for purposes of
17 testimony?

18 If not, at this time we will
19 also call Case Number 8458.

20 MR. TAYLOR: Do you have the
21 same witness for both cases?

22 MR. BRUCE: Yes.

23 MR. TAYLOR: Would you please
24 stand and raise your right hand?

25 MR. BRUCE: Later.

MR. TAYLOR: Oh.

MS. AUBREY: Karen Aubrey, Kel-
lahin and Kellahin, appearing for Pennzoil Corporation.

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2 MR. TAYLOR: You have no wit-
3 nesses?

4 MS. AUBREY: I have no wit-
5 nesses.

6 (Witness sworn.)
7

8 MR. STOGNER: Incorporated
9 Case Number 8458 is also an application of Amerind Oil Com-
10 pany for compulsory pooling in the same area in Lea County.

11 Please continue, Mr. --

12 MR. BRUCE: Before we start
13 with the testimony, originally Pennzoil was a party that
14 Amerind sought to force pool with respect to both cases, but
15 at this time we would like to dismiss Pennzoil from Case
16 8457 only, which concerns the west half -- or -- yes, the
west half northeast quarter of Section 28.

17 MR. STOGNER: Thank you. That
18 will be noted -- duly noted.

19
20 BILL SELTZER,
21 being called as a witness and being duly sworn upon his
22 oath, testified as follows, to-wit:

23 DIRECT EXAMINATION

24 BY MR. BRUCE:

25 Q Would you please state your name, city of

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residence, occupation, and employer?

A My name is Bill Seltzer. I live in Midland, Texas, where I'm an independent landman and I'm a land consultant for Amerind.

Q And have you previously testified before the OCD and had your credentials as a landman accepted?

A Yes, I have.

Q And are you familiar with Amerind's application in Cases 8457 and 8458?

A Yes, sir.

MR. BRUCE: Mr. Examiner, is the witness considered qualified?

MR. STOGNER: He is so qualified.

Q Mr. Seltzer, would you please state briefly what Amerind seeks by these two applications?

A Amerind seeks an order pooling all the mineral interests in the Strawn formation underlying the west half of the northeast quarter of Section 28, Township 16 South, Range 37 East, in Case Number 8457; and underlying the east half of the northeast quarter of Section 28, Township 16 South, Range 37 East, in Case Number 8458.

Amerind also seeks consideration of cost for drilling and completing the wells; allocation of cost of the wells and the actual operating costs and charges for supervision.

Also Amerind seeks to be designated as

operator and to be allocated a charge for the risk involved in drilling the well.

Q Would you please now refer to Exhibit Number One and describe tha?

A Exhibit Number One is a 4-section -- is a plat showing a 4-section area, which outlines the producing wells, dry holes, and the two proration units for these two cases.

Q And in your position as a landman or a land consultant for Amerind, have they informed you of their plans for drilling of wells on these two units?

A Yes. Amerind first proposes to drill a well in the east of the northeast quarter of Section 28 at an orthodox location to an approximate depth of 11,600 feet, in order to test the Strawn formation.

The well will be within the Northeast Lovington Pennsylvania Pool, which required 80-acre spacing.

A second well will be drilled to the same depth at a legal location in the west of the northeast quarter after the completion of the first well.

Q Would you please now refer to Exhibit Number Two and describe the acreage control Amerind has with respect to the east half of the northeast quarter of Section 28, which is embraced within Case 8458?

A Amerind owns all the acreage with the exception of the ones that I'll list here, and we have leases from the ones that I -- I'll designate.

1
2 The Felmont has issued a lease to Amer-
3 ind.

4 Sohio has issued a lease to Amerind.

5 J. R. McGinley, Jr., Cleroy, Inc., and
6 Lanroy, Inc., are all out of the same office in Tulsa, Okla-
7 homa, have verbally agreed to issue a lease to Amerind but
8 at the time of this hearing we have not received those
9 leases.

10 Shell Western Exploration and Production
11 Company has not responded to this pooling provision.

12 Harry J. Schafer, out of Oklahoma City,
13 has verbally agreed to lease but at this time we have not
14 received this lease in hand.

15 Dorothy Jeanne Van Zant Sanders has
16 leased -- made a lease to Amerind.

17 Pennzoil Company has locally agreed to
18 join but they do not have corporate approval at this hear-
19 ing, time of this hearing.

20 Q And would you just briefly describe the
21 history of your contact with each of the parties you've just
22 mentioned?

23 A On December the 28th I wrote a letter to
24 all the parties listed, inviting each to join in the drill-
25 ing of the proposed test or grant to Amerind an oil and gas
lease on their interest, or farm out their acreage in the
entire northeast quarter.

As I stated as to the east half of the

1 northeast quarter, Felmont and Sohio has made leases, as has
2 Ms. Sanders, Harry Schafer, Mr. McGinley, Cleroy, Inc., Lan-
3 roy, Inc., which is a family group in Tulsa, have agreed to
4 lease but we do not have them in hand.

5 Shell has not responded.

6 Pennzoil, as I indicated has -- I have
7 local approval but not corporate approval at this time.

8 Q Would you please now refer to Exhibit
9 Number Three and describe the unpooled or un -- the parties
10 that have not agreed to join in the unit in the west half of
11 the northeast quarter of Section 28, and describe your ef-
12 forts to obtain their commitment, and I'd mention that this
13 refers to Case 8457 specifically.

14 A Again, on December the 28th I invited all
15 the parties listed to join, farm out, make a lease on their
16 acreage.

17 Felmont has made a lease to Amerind.

18 Sohio informed us to go ahead and pool
19 them, that they did not want to do anything at this time.

20 J. R. McGinley, Cleroy, Inc., Lanroy,
21 Inc., the family group out of Tulsa, Oklahome, have verbally
22 agreed to issue a lease to Amerind, but those have received
23 -- been received at the time of this hearing.

24 Shell Western, no response from them.

25 Harry J. Schafer out of Oklahoma City has
verbally agreed but at this time their lease has not been
received.

1
2 Dorothy Jeanne Van Zant Sanders, she has
3 leased -- made a lease to Amerind and it has been received.

4 We have dismissed Pennzoil from this in-
5 terest.

6 Q Would you please now refer to Exhibits
7 Four and Five and describe these two exhibits?

8 A Exhibits Four and Five are -- Exhibit
9 Four and Five are AFE's for the first well, Four is an AFE
10 for the first well, which will be in the east half of the
11 northeast quarter of Section 28.

12 And Exhibit Five is an AFE for the drill-
13 ing and completing of the well in the west half of the
14 northeast quarter.

15 Both of these AFE's are for a completed
16 well in the amount of \$761,000.

17 Q Does Amerind wish to be named as the op-
18 erator of the two proposed wells?

19 A Yes.

20 Q Do you have a recommendation as to the
21 charge for the risk involved in drilling these wells?

22 A Yes. I recommend that the maximum al-
23 lowed by the New Mexico Statute, the way I understand it is
24 200 percent. This is based on the penalty that Amerind has
25 received on the -- all other compulsory poolings of the
wells in Section 21 and 28 of this same township.

Q Is that amount in line with the noncon-
sent provisions in joint operating agreements currently

1
2 being used in that area?

3 A Yes, this is in line with those agree-
4 ments.

5 Q And is the proposed expense, as reflected
6 on Exhibits Four and Five, in line with the expenses normal-
ly charged for drilling wells in this area?

7 A Yes, these proposed expenses are well in
8 line with the cost of other wells drilled in this area, in
9 this depth in the general area.

10 Q Mr. Seltzer, what is your recommendation
11 as to the amount Amerind should be paid for supervision
12 charges?

13 A It is the recommendation that it be \$4000
14 per month to be allocated for a drilling well and \$400 per
month be allocated for a producing well.

15 Q And are these --

16 A This is the amounts stated in the ac-
17 counting procedure, which is marked Exhibit Six.

18 Q Are these amounts in line with those nor-
19 mally charged by Amerind and other operators in this area?

20 A Yes, these fall directly in line with the
21 amounts normally called for in the joint operating agreement
covering wells of this type in the general area.

22 These are the same charges used by Amer-
23 ind for all of the other wells in the Northeast Lovington
24 Pennsylvanian Pool.

25 Q In your opinion will the granting of

1 Amerind's applications in these two cases be in the interest
2 of conservation, the prevention of waste, and the protection
3 of correlative rights?

4 A Yes, sir.

5 Q And were Exhibits One through Six pre-
6 pared by you or under your supervision?

7 A Exhibit One through Three and Six were
8 prepared by me.

9 Exhibits Four and Five were prepared by
10 Mr. Robert Leibrock, Vice President of Amerind.

11 Q And do you request expedited approval of
12 these cases?

13 A Yes, we would like the Division to expe-
14 dite execution of an order so that we may commence operation
15 for the drilling of the proposed well immediately.

16 MR. BRUCE: At this time, Mr.
17 Examiner, I'd move the admission of Exhibits One through
18 Six.

19 MR. STOGNER: If there are no
20 objections the Exhibits One through Six will be admitted in-
21 to evidence.

22 MR. BRUCE: I have no further
23 questions of this witness.

24 MR. STOGNER: Ms. Aubrey, do
25 you have any questions of this witness?

MS. AUBREY: I have no ques-
tions, Mr. Stogner.

1
2 MR. STOGNER: Thank you, Ms.
3 Aubrey.

4 CROSS EXAMINATION

5 BY MR. STOGNER:

6 Q Mr. --

7 A Seltzer. BromoSeltzer.

8 Q Thank you, sir. Seltzer.

9 These two proration units, they lie be-
10 tween the Northeast Lovington Pennsylvanian and the Casey
11 Strawn Pools, is that --

12 A Correct.

13 Q -- right? And both of those pools --

14 A Call for 80-acre spacing.

15 Q And with the same limitation of 150 foot
16 of the center of a quarter quarter section --

17 A Correct.

18 Q -- for the well to be drilled.

19 A You're correct.

20 Q And both -- both of your wells that you
21 will be drilling on these two proration units will be in
22 line --

23 A That's correct.

24 Q -- with both special --

25 A We're well --

Q -- pool rules.

A -- aware of those field rules and we will

1 be within the legal limits of those field rules.

2 Q Thank you. Let's go to Exhibits Two and
3 Three now.

4 You stated when you were going over Exhi-
5 bit Two that you were in contact by letter to these owners,
6 and I assume that you were also in contact with the same
7 owners listed in Exhibit Three for the west half of the
8 northeast quarter by letter, December 28th, 1984?

9 A Right.

10 Q Was that --

11 A And I might add, also, if I might. I
12 personally contacted these people later on by phone and we
13 sent each one of the parties applications of both units by
14 certified mail, return receipt requested.

15 Q The December 28th letter that you --

16 A No.

17 Q Oh, I'm sorry.

18 A The application. Everybody acknowledged
19 receipt of the December the 28th letter and I talked to them
20 personally.

21 Q And when did you telephone these people
22 first?

23 A I would say --

24 Q About this.

25 A I would say prior to -- prior to January
the 15th.

Q The first contact these people had from

1
2 Amerind was December 28th, 1984, or roughly thereabout af-
3 terwards with the return receipts, is that correct?

4 How long has Amerind planned to drill
5 these two wells?

6 A Sir?

7 Q How -- how far -- how long has Amerind
8 planned to drill these two wells?

9 A Well, we would need to start this first
10 well immediately because we have an expiration problem in
11 February.

12 Q Well, what I'm asking you is how long ago
13 have you all planned to drill --

14 A We just -- we just started this in the
15 latter part of December.

16 Q How long has Amerind had the lease?

17 A About a year.

18 Q And both leases are coming up for expira-
19 tion in February?

20 A This is quite a complicated area with,
21 I'm going to say somewhere around 25 to 30 mineral owners.
22 These are one of the toughest areas in the southeastern part
23 of New Mexico.

24 Q Well, if it was so tough, why didn't you
25 get hold of them earlier, besides just giving them a month
to participate?

A You see, Mr. Examiner, we have drilled
four wells in this area right now. We're doing it just as

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rapidly as we can.

We drilled in the -- look at your plat,
Number One.

We drilled the well in the south half of
the northwest quarter of Section 21.

We came down right after that and drilled
the well in the north half of the southwest quarter.

We came right directly below that and
drilled the No. 2 Higgins, which is in the south half of the
southwest quarter.

We came right below that and drilled the
No. 1 Speight Well, which is in the north half of the north-
west quarter.

We were here to do a compulsory pooling
for the No. 2 Speight, which we intend to drill right after
the Carter Well. The Carter Well would be in the northeast
quarter of the northeast quarter of Section 28.

Q Did you also give those people such short
notice of compulsory pooling?

A We had no trouble.

Q Okay.

A Nobody has objected to this first well.
We've invited them over to our office to look at our geol-
ogy. Pennzoil and the rest of them have come over to look
at it.

Q Do you think one month is sufficient --

A Yes.

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Q -- for people to agree?

A Sure.

Q Have you been force pooled on such a short notice in the past?

A I have not. In fact, I've never been force pooled because I give them -- I'll give them an answer.

Q These other wells that are being drilled around these two proration units, are any of those producing at the present time?

A Which ones did you have reference to?

Q Any of them immediately offsetting your two proration units.

A Are there any producing wells within the area in the Strawn formation?

A There is a producing well in the Strawn formation in the northeast of the northwest of 27. As I understand, Yates is producing about 10 barrels of oil per day.

Q For the record, so I can straighten it out, the risk factor is 200 percent for both cases?

A Correct.

Q And the overhead charges for drilling is \$4000 and producing charges are \$400 for both cases?

A Yes, sir, that is in line with the other operating agreements that we did on the other wells, the other four wells we just got through drilling.

1 We drilled four wells last year.

2 MR. STOGNER: I have no further
3 questions of this witness.

4 Are there any other questions
5 of Mr. Seltzer?

6 CROSS EXAMINATION

7 BY MR. TAYLOR:

8 Q Mr. Seltzer, we need you to provide us
9 with copies of the letters informing the people you're force
10 pooling of the applications.

11 Just so I can get it straight, are you --
12 in Case 8458, you are force pooling McGinley, Cleroy, Lan-
13 roy, Shell Western E & P, and Schafer.

14 A Yes, but we'll dismiss them. They have
15 agreed to lease but why we're doing it is because I don't
16 have that lease.

17 Q Well, if you're going to dismiss them,
18 now, then you better -- then you have to be sure you have
19 the lease when --

20 A That's what we're doing.

21 MR. PRUCE: We really do not
22 want to dismiss them at this time.

23 We assume we will get the lease
24 from them but we have to go ahead and force pool them.

25 Q And so in Case 8458, are those the par-
ties that you're force pooling?

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You've got a lease from Felmont.

You've got a lease from Sohio.

You've got a lease from Dorothy Jeanne
Van Zant Sanders?

A Yes.

Q And you must have -- well, let's see, in
8458 what's the arrangement with Pennzoil?

Are you dismissing them?

MR. BRUCE: We are dismissing
-- no, not from 8458.

MS. AUBREY: Not in that one.

MR. TAYLOR: Okay, so you're
force pooling them, also.

A They have locally indicated that they
will join but they do not have their home office approval.

MR. TAYLOR: Well, I believe
our regulations, though, require us to have copies of notice
to them of the hearing, so that's just what I'm concerned
about, who you're force pooling and who you are -- who you
have leases from.

MR. BRUCE: Mr. Taylor, we can
provide the December 28th letter that Mr. Seltzer --

MR. TAYLOR: All right.

MR. BRUCE: --provided to the
other parties, but also, in -- it should be in your file, a
letter from our Midland Office, certified mail, notifying
all these parties --

1 MR. TAYLOR: Okay.

2 MR. BRUCE: -- of the --

3 A Here they are.

4 MR. BRUCE: -- of the hearing.

5 MR. TAYLOR: And in 8457 you're
6 force pooling Sohio, McGinley, Cleroy, Lanroy, Shell, and
7 Schafer, right, pending any -- pending any lease with them.

8 You do not at this moment have
9 in hand a lease from those people.

10 You've got a lease from Dorothy
11 Jeanne Van Zant Sanders and Felmont in 8457?

12 A That's the west half, is it not?

13 MR. TAYLOR: Right.

14 A We have a lease from Felmont.

15 Sohio said go ahead and pool us.

16 McGinley, Cleroy, Lanroy, have agreed to
17 lease no later than 10:30 yesterday morning before I left
18 Midland to catch an airplane.

19 Shell said they could not give us an an-
20 swer.

21 Mr. Schafer has agreed to lease. He's
22 been in Hawaii and returned just last week and he says his
23 desk is piled up but he'll give me a lease, but I do not
24 have it.

25 I do have a lease from Sanders.

Q Okay, so the only ones --

A Be dismissed.

1
2 Q So the only ones you have leases from are
3 Felmont and Sanders.

4 A Correct.

5 Q Okay.

6 MR. BRUCE: Mr. Examiner, if I
7 may make one comment.

8 On Section 28, the No. 2 Speight
9 Well, I'm looking at the first exhibit, that one was -- came
10 to hearing twice for several reasons, so the parties had
11 about -- approximately three months or more contact because
12 it went to hearing twice.

13 And the No. 1 Speight Well in
14 the north half of the northwest quarter, that one was force
15 pooled, I believe, sometime last summer or fall, late sum-
16 mer, and I believe at the time we didn't get an order for
17 about seven weeks, close to seven weeks, and therefore the
18 drilling of that well was delayed accordingly, but those two
19 wells were delayed accordingly.

20 MR. STOGNER: Thank you, Mr.
21 Bruce.

22 Mr. Bruce, Mr. Seltzer, I'd
23 like to add to the record at this time that force pooling
24 and the action that is taken by the Commission should only
25 be for a last resort and all operators should do their part
on trying to get a voluntary agreement before using this as
a last resort; not to use it as a tool, per se, to get -- to
get people to agree.

That's all I have to say.

If there's no other questions of this witness, he may be excused.

Is there any closing statements by Ms. Aubrey for Pennzoil at this time?

MS. AUBREY: No, Mr. Stogner.

MR. STOGNER: Mr. Bruce?

MR. BRUCE: No, sir, Mr. Examiner.

MR. TAYLOR: Just for the record, could I clarify, did you consolidate these cases or were you just doing both at the same time?

MR. BRUCE: Just hearing them both at the same time because the history of contact is virtually identical.

MR. STOGNER: Mr. Bruce are you going to submit that letter of December the --

MR. BRUCE: Yes, I'll bring it right over.

MR. STOGNER: -- 28th?

Mr. Bruce, are you going to leave those on my desk before you leave?

MR. BRUCE: Yes.

MR. STOGNER: Thank you. Cases Numbers 8457 and 8458 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. 8457 and 8458
heard by me on 30 January 1985.
Michael E. Stagner, Examiner
Oil Conservation Division