

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

27 March 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Cavalcade Oil Cor-
poration for compulsory pooling,
Lea County, New Mexico.

CASE
8521

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:

William F. Carr
Attorney at Law
Campbell and Black, P. A.
P. O. Box 2208
Santa Fe, New Mexico 87501

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3 MR. STOGNER: We will call next
4 Case Number 8521.

5 MR. TAYLOR: The application of
6 Cavalcade Oil Corporation for compulsory pooling, Lea Coun-
7 ty, New Mexico.

8 MR. CARR: May it please the
9 Examiner, my name is William F. Carr with the law firm Camp-
10 bell and Black, P. A., of Santa Fe, appearing on behalf of
11 Cavalcade Oil Corporation.

12 I have one witness who has pre-
13 viously been sworn.

14 MR. STOGNER: Let the record so
15 show.

16 Are there any other appearances
17 in this matter?

18 Will you please continue, Mr.
19 Carr?

20 RANDALL CAPPS,
21 being called as a witness and having been previously sworn
22 upon his oath, testified as follows, to-wit:

23 DIRECT EXAMINATION

24 BY MR. CARR:

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

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A I'm Randall Capps. I live in Lubbock, Texas.

Q By whom are you employed and in what capacity?

A I'm employed by Cavalcade Oil Corporation as Vice President of Land.

Q Have you previously testified before this Division and had your credentials accepted and made a matter of record?

A Yes.

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

A Yes.

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

A Yes.

MR. CARR: Are the witness' qualifications acceptable?

MR. STOGNER: They still are.

Q Mr. Capps, would you briefly state what Cavalcade seeks with this application?

A We seek the pooling of all mineral interests under 40 acres, being the northwest quarter of the southwest quarter of Section 18, Township 12 South, Range 38 East, as to the Wolfcamp formation.

Q Are you also seeking the imposition of a risk penalty on those interest owners who do not voluntarily

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participate in the well?

A Yes, we are.

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

A Yes.

Q Would you refer to what has been marked for identification as Cavalcade Exhibit Number One, identify this and review it for Mr. Stogner?

A Exhibit Number One is a land plat showing the subject 40 acres colored in yellow and the well to be re-entered is located in the center of that 40 acres.

It also shows surrounding lease ownership and well locations.

Q Could you tell Mr. Stogner where this proposed -- or where this unit lies in respect to the proration unit which was the subject of the immediately preceding case?

A This proration unit lies immediately south of the previous case and contiguous to it.

Q What is the primary objective in the well?

A It's also a Wolfcamp.

Q Have you an ownership breakdown for the spacing unit?

A Yes, I do. That's Exhibit Two.

Q Would you refer to Exhibit Two and review for Mr. Stogner the ownership breakdown and identify those

1
2 interest owners who have not voluntarily committed to the
3 drilling of the well?

4 A Yes. Exhibit Two was prepared for us by
5 the law firm of Hinkle, Cox out of Roswell.

6 It was made up from an abstract brought
7 up to March 8th, 1985.

8 On page two the first non-joining party
9 is Flag-Redfern Oil Company.

10 Next it would be the heirs or devisees of
11 C. E. Carlson.

12 On page three, First City National Bank
13 of Houston, Trustee of the Beulah Wood Kinney Trust.

14 Coastal Oil and Gas Corporation.

15 W. C. Partee, whose wife is Chrystelle
16 Partee.

17 Gloria Ann Goldston King.

18 William J. Goldston, Junior.

19 On page four, First City National Bank of
20 Houston and J. C. Goldston, Successor Trustees for Jeanne
21 Goldston Kies, and J. C. Goldston, Successor Trustee under a
22 Trust Indenture dated December 23rd, 1938.

23 Q Now these are the interest owners who
24 have not voluntarily joined in the well.

25 A Yes, sir.

Q What percentage of the acreage in this
spacing unit has voluntarily --

A We have --

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Q -- joined?

A -- 80 percent voluntarily joinder.

Q Would you now refer to Cavalcade Exhibit Number Three, identify this, and review the totals?

A Exhibit Number Three consists of two AFE's.

The first AFE is for the re-entry of the Hancock No. 1 Schultz Well. Total cost is expected to be \$189,153.

The second AFE would be for the drilling of a new well should the re-entry fail. It will be at a standard location on the same 40 acres.

Total cost is expected to be \$633,629.

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

A Yes, they are.

Q Would you summarize the efforts made by Cavalcade to obtain voluntary joinder of all interest owners in the proposed spacing unit?

A During the week of February the 18th of this year I was able to contact every party by phone.

The following week I followed up with a letter and my last contact with them was by phone on March 21st of this year.

Q On March 21st did you advise all those who hadn't joined of today's hearing?

A Yes.

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Q When did Cavalcade acquire an interest in the southwest quarter of Section 18?

A When did we acquire our very first interest?

Q Yes.

A I believe that was on the 21st we acquired some leases.

Q Okay.

A They were signed later but verbally agreed -- well, on the 18th, I'm sorry, (not understood).

Q When did you actually first acquire an interest in this spacing unit? Have you held leases in this area for a long period of time?

A On this spacing unit just since, I would guess, the 21st of February, approximately.

Q Would you identify what has been marked as Cavalcade Exhibit Number Four?

A Exhibit Number Four are the letters that I referred that followed up my February 18th phone conversations.

Q In your opinion has Cavalcade made a good faith effort to obtain the voluntary joinder of all interest owners in the spacing unit?

A Yes, we have.

Q Would you now refer to Cavalcade Exhibit Number Five and identify that for Mr. Stogner?

A Exhibit Number Five is a wellbore diagram

1 which simply shows where -- where there is existing casing
2 in the hole and where there is open hole, and pretty much is
3 something we'll have to use in our work to try to set a
4 liner in that open hole.

5 Q Will you now go to Exhibit Number Six and
6 review that, please?

7 A Number Six is a section of the wellbore
8 that we plan to re-enter in Schultz No. 4. It covers the
9 interval from 9000 feet to 10,000 feet.

10 Q And this is the Wolfcamp?

11 A This is the Wolfcamp formation.

12 Q Are you prepared to make a recommendation
13 to the Examiner as to the risk penalty that should be
14 assessed against any interest owner who doesn't voluntarily
15 participate in the well?

16 A Yes.

17 Q And what is that recommendation?

18 A Okay, maximum 200 percent.

19 Q And upon what do you base this
20 recommendation?

21 A Well, if you'll refer back to Exhibit
22 One, Gulf has three producing Wolfcamp wells immediately
23 south of us in the northwest quarter of Section 19, being
24 the Nos. 1, 2, and 4 "AV" State Wells.

25 Those wells are presently producing 2 to
3 barrels a day apiece, and the only other Wolfcamp
production in this area would be immediately north of us in

1 Section 18, being the No. 4 Slack Well.

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3 It was plugged, I believe, in January of
4 '84, and we feel like due to the marginal production to the
5 south and the drainage to the north, that there's some risk
6 that the well may not be econmical.

7 Q Have you made an estimate of overhead and
8 administrative costs while drilling this well and then while
9 producing it, if in fact it is successful?

10 A Yes, we have.

11 Q And what are those figures?

12 A \$4000 a month drilling rate, \$400 a month
13 producing rate.

14 Q Are these costs in line with what's being
15 charged by other operators in the area?

16 A Yes, they are.

17 Q Do you recommend that these figures be
18 incorporated into any order which results from this hearing?

19 A Yes.

20 Q Does Cavalcade seek to be designated
21 operator of the proposed well?

22 A Yes.

23 Q Would you identify for Mr. Stogner what's
24 been marked as Exhibit Number Seven?

25 A Exhibit Number Seven is copies of letters
that the law firm of Campbell and Black mailed out to the
mineral owners advising them of this hearing.

Q Were Exhibits One through Seven prepared

1 by you or under your direction and supervision?

2 A In your opinion will granting this appli-
3 cation be in the best interest of conservation, the preven-
4 tion of waste, and the protection of correlative rights?

5 A Yes, it will.

6 Q Do you have a farmout or a lease that's
7 about to expire in this area?

8 A Yes, we have a farmout that's dated March
9 12th and will expire in ninety days from that date.

10 Q And so are you requesting that the order
11 in this case be expedited to the fullest extent possible?

12 A Yes.

13 Q When do you plan actually to commence
14 drilling a well on this spacing unit?

15 A Within a matter of a week after the order
16 is issued.

17 MR. CARR: I have nothing
18 further, Mr. Stogner.

19 CROSS EXAMINATION

20 BY MR. STOGNER:

21 Q Mr. Capps, you plan to re-enter an old
22 well out there, don't you?

23 A Yes, sir.

24 Q And here again we're in the same kind of
25 a thing we were with the previous case, 8476.

The way the application read that -- like

a new well drilled out there at a standard location.

But that is so, if you find that this well is in--

A Yes, sir.

Q --cannot be re-entered?

A These wells have been plugged since 1964, and most of the wells out here that I have looked at that have been attempted to be re-entered have found that the casing has collapsed.

We feel like the chances are probably one in ten that we can get in those old holes. And we feel like we--the economics of getting in the old hole are so much better than the new well we have to at least try.

Q You plan to use the same rig that you have out there in that area to either re-enter or drill the new well to the north of this proration unit in the previous case?

A Yes, sir. If the--if the order and everything comes together, we would like to just--after working on that--on the previous order just slide it down--skid it down and start this second one.

Q The old wellbore, the Schultz Well No. 4, is that right?

A Yes.

Q Who was the operator on that?

A I think I mentioned Hancock, but I believe from looking at the log that it was actually

1
2 Sinclair. Hancock operated the one north of it.

3 Q And when--that was plugged and abandoned
4 in 1964?

5 A Yes, sir. I believe that's right.

6 Q And that was before Sinclair became ARCO?

7 A It was about the time Sinclair became AR-
8 CO.

9 MR. STOGNER: Okay. In looking at the
10 advertisement, as previously we had it advertised as a re-
11 entry and not, in the alternative, a new well, and since we
12 have this one advertised as drilling a new well in a stan-
13 card location thereon, that seems to very well cover this
14 area out there, so I believe the advertisement will be taken
15 care of.

16 So, is there anything--do you have any
17 other further questions of this witness?

18 MR. CARR: Nothing further.

19 MR. STOGNER: Does anybody else have any
20 further questions of Mr. Capps?

21 If not, he may be excused.

22 Mr. Carr, do you have anything further
23 in--

24 MR. CARR: Nothing further, Mr. Stogner.

25 MR. STOGNER: --Case 8521?

Does anybody else have anything further
in 8521?

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 and correct transcript of the proceedings in
the Ex. Case No. 8521,
heard by me on 27 March 1985.

Michael Estogney, Examiner
Oil Conservation Division

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13 March 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Cavalcade Oil Cor-
poration for compulsory pooling,
Lea County, New Mexico.

CASE
8521

BEFORE: Gilbert P. Quintana, 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:

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MR. QUINTANA: We'll call next
Case 8521.

MR. TAYLOR: The application of
Cavalcade Oil Corporation for compulsory pooling, Lea Coun-
ty, New Mexico.

The applicant has requested
that this case be continued.

MR. QUINTANA: Case 8521 will
be continued until March 27th, 1985.

(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 and correct transcript of the proceedings in
the examination of No. 8521,
heard by me on march 13, 1985.

Silbert P. Quintana, Examiner
Oil Conservation Division