

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date JULY 17, 1985 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
H. F. Bohé Kauderich	El Paso Natural Gas Co	El Paso, TX
Karen C. C. C.	Kellahan + Kellahan	Santa Fe
Jerry Long	Self	Greenville
Randall Davis	Monsanto Oil Co.	Midland, TX
Bill Morris	Monsanto	Midland TX
Joel Carson	Losee & Carson PA	Albuquerque
Robert Lupe	Amerenda Hess	Denver
Greg Norton	"	"
Gilbert Miller	"	Tulsa
Emery & Carol	Losee & Carson PA	Albuquerque
Chad Embury	YPC	Albuquerque, NM
Peg Beck	Yata	Albuquerque
Jim O'Brien	GCNMR	
Tommy Sanders		

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

17 July 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Amerada Hess Corporation CASE
for compulsory pooling, Lea 8650
County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Jeff Taylor
Division: Legal Counsel to the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: Joel Carson
Attorney at Law
LOSEE & CARSON P. A.
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Artesia, New Mexico 88210

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I N D E X

GREGORY MORTON

Direct Examination by Mr. Carson 4

Cross Examination by Mr. Stogner 9

ROBERT D. LUPE

Direct Examination by Mr. Carson 14

E X H I B I T S

AHC Exhibit A, Plat 5

AHC Exhibit B, List 5

AHC Exhibit C & C-1, Correspondence 7

AHC Exhibit D & D-1, AFE, etc 15

AHC Exhibit E, Operating Agreement 8

AHC Exhibit F, Production Map 17

1
2 MR. STOGNER: Call next Case
3 Number 8650.

4 MR. TAYLOR: The application of
5 Amerada Hess Corporation for compulsory pooling, Lea County,
6 New Mexico.

7 MR. STOGNER: Call for
8 appearances in this matter at this time.

9 MR. CARSON: Mr. Examiner, my
10 name is Joel Carson, Losee and Carson, P. A., Artesia, New
11 Mexico.

12 I will have two witnesses.

13 MR. STOGNER: Are there any
14 other appearances in this matter?

15 Will the witnesses please stand
16 at this time and be sworn?

17
18 (Witnesses sworn.)

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

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DIRECT EXAMINATION

BY MR CARSON:

Q Would you state your name, please?

A My name is Gregory Morton.

Q And Mr. Morton, by whom are you employed?

A Amerada Hess Corporation.

Q In what capacity are you employed?

A As a petroleum landman.

Q Would you tell the Hearing Examiner a little bit about your qualifications as a landman and your experience in Texas and New Mexico?

A I graduated from the University of Southwestern Louisiana with a petroleum land management degree and since then I I was employed by Union Oil Company of California for six years as a landman, working Louisiana and East Texas.

After that I went to work for Amerada Hess and I've been working with Amerada Hess for three and a half years now, working West Texas, Oklahoma, and southeast New Mexico.

MR CARSON: Mr. Examiner, are his qualifications accepted?

MR STOGNER: They are.

Q Mr. Morton I'm going to refer you to

1 what has been marked as Applicant's Exhibit Number A, and
2 ask if that was prepared by you or under your supervision?

3 A It was prepared under my supervision.

4 Q Would you tell the Examiner what that ex-
5 hibit purports to show?

6 A The exhibits show that Amerada Hess is
7 proposing to drill the Andrus Well, located in the north
8 half of the southwest quarter, and it also shows our mineral
9 owners and working interest owners as Exhibit B.

10 Q Let's just go with - let's just go with
11 that one for the time being.

12 A Okay.

13 Q This well that you're proposing in the
14 southwest northwest southwest of Section 9 is what kind
15 of well? I mean what formation are you looking for?

16 A We're looking to drill a Strawn well
17 here.

18 Q Now, I refer you to Exhibit B and ask
19 what that exhibit purports to show.

20 A That exhibit shows the mineral owners,
21 the working interest owners and the royalty interest owners,
22 in our proposed unit.

23 Q And the ones that are marked 'No. 1' are
24 those interests that we're seeking to force pool, is that
25 correct?

1 A Yes, and that is and that is the New
2 Mexico Royalty Trust, Clarice Van Eman, William C. Uphoff.

3 Q And to add another unpronouncable name to
4 the list is Alfred Letzenick.

5 It is my understanding, Mr. Morton, that
6 we have -- I guess I should ask this question first, is what
7 efforts has Amerada Hess made to find these people?

8 A Well, under my direction Les Opperman,
9 who has been out buying oil and gas leases for us in this
10 particular prospect, has tried to located each of these in-
11 dividuals, referring to Uphoff, Letzenick, and Van Eman, and
12 we have sent out certified letters out to these individuals
13 as to their last known address.

14 We've gotten no response as far as that's
15 concerned. We've gone to the different phone books in dif-
16 ferent cities that we believe these people were living in
17 and we still could not find these individuals.

18 As far as the New Mexico Royalty Trust,
19 the reason we're attempting to force pool this trust is be-
20 cause we -- we believe there's some doubt as to whether or
21 not we're got this interest tied up.

22 When the trust was set up in 1932 Mr.
23 Manley conveyed into the trust without his wife's execution
24 of the deed, and because of that we think that this interest
25 is tied into the College of the Southwest.

1 But for precautionary reasons we would
2 like to go ahead and list that New Mexico Royalty Trust as a
3 respondent.

4 Q College of the Southwest has a --- has
5 leased, have they not?

6 A Yes, we have a lease from the College of
7 Southwest.

8 Q Now is it my understanding that somebody
9 else within the last day or two has found Mr. Uphoff?

10 A Mr. Rowan advised us Friday of last week
11 that he had contacted Mr. Uphoff and was attempting to get
12 an oil and gas lease with him, but as of today he has not
13 taken a lease from Mr. Uphoff and Mr. Uphoff's interest is
14 not committed.

15 Q I want to refer you to Exhibit C, which I
16 assume are Mr. Opperman's notes on what he's -- how he's
17 tried to find these people.

18 A Uh-huh.

19 Q Is that correct?

20 A That's correct.

21 Q And Exhibit C-1 shows the letters that
22 you have sent to try to -- and have been returned with no --
23 with no receipt.

24 A That's correct.

25 Q Okay. I want to skip Exhibit D for a

minute, if I can, Mr. Examiner, and D-1, and go to Exhibit E.

Was this -- Exhibit E is a standard form operating agreement. Was that prepared either by you or under your supervision?

A It was prepared under my supervision.

Q And is this the operating agreement that you propose to use in connection with the drilling of this well?

A Yes.

Q Exhibit -- the COPAS provision to this lease, Section III, Overhead, suggests a drilling well rate and a producing well rate, is that correct?

A That's correct.

Q And what are those, Mr. Morton?

A Well, let me just say that we -- initially we were going to use a drilling rate of \$6,020 and a producing rate of \$620, but we contacted the working interest owners and we have come to an agreement that \$5200 for the drilling rate and a producing rate of \$520.

Q And in your professional opinion, Mr. Morton, are those -- are those figures reasonable in the area?

A Yes, they are.

MR. CARSON: I would like to

1 move the introduction of Exhibits A, B, C, and E at this
2 time, Mr. Examiner.

3 MR. STOGNER: Exhibits A, B, C,
4 and E will be admitted into evidence.

5 MR. CARSON: That's all the
6 questions that I have of this witness.

7 I'd like to call Mr. Lupe now.

8 MR. STOGNER: I have some ques-
9 tions of Mr. Morton.

10 MR. CARSON: Oh, I'm sorry.

11

12 CROSS EXAMINATION

13 BY MR. STOGNER:

14 Q Mr. Morton.

15 A Yes.

16 Q How does the acreage that you -- that you
17 show on Exhibit A differ from the advertisement and the ap-
18 plication in which was sent here and received by the Oil
19 Conservation Division on June 24th, 1985?

20 A Do you have a copy of that?

21 MR. CARSON: Yeah. This says
22 west half and ours says northwest/southwest.

23 A Okay.

24 Q Okay. I have a copy here of the applica-
25 tion for this hearing today and, Paragraph 2 of that applica-

1 tion the proposed well is located within one mile of the
2 Northwest Lovington Pennsylvanian Pool. The applicant pro-
3 poses to dedicate the west half southwest quarter of said
4 section to this well.

5 Is it my understanding today
6 that you wish to dedicate the north half of the southwest
7 quarter?

8 A That's our proposed drilling unit, yes.

9 Q Okay. This, of course, will have to be
10 readvertised to the hearing to be held exactly four weeks
11 from today.

12 THE REPORTER: 14th of August.

13 MR. STOGNER: I've just been
14 informed that that is August 14th, 1985, but we are prepared
15 to go ahead and hear this case today and the testimony for
16 the north half of the southwest quarter; however, an order
17 will -- cannot be issued until after the correct advertise-
18 ment is made.

19 MR. CARSON; I apologize, Mr.
20 Examiner. I didn't realize, and I'm sure Mr. Morton didn't
21 either, the change in signals there.

22 MR. STOGNER: Thank you, Mr.
23 Losee.

24 Q Mr. Morton, on Exhibit B, the parties
25 which you are force pooling today, you mentioned Mr. Uphoff

1 has been located.

2 A Yes, he has.

3 Q Where, when, and what condition was he in
4 and --

5 A Okay. We attempted to locate Mr. Uphoff
6 in Illinois.

7 Mr. Opperman called, roughly, 27 people
8 in Illinois and could not find him but Friday of last week a
9 Mr. Chuck Herron (sic) in our Denver Office received a call
10 from Mr. Rowan and said that he had located Mr. Uphoff and
11 he did not say where, but he did say that he was attempting
12 to get an oil and gas lease from him.

13 Q The addresses that you show for the other
14 two parties, were they -- and you mentioned that they were
15 the last addresses known.

16 A Uh-huh.

17 Q When did they seem to drop out of sight?

18 A Okay, well, let me start off with Alfred
19 -- well, let's start off with William C. Uphoff.

20 That was the address that the deed was
21 returned to, the deed when it was conveyed into Mr. Uphoff
22 and that's where we sent this -- the notice to.

23 As far as Mr. Letzenick, the deed was re-
24 turned to the Monarch Investment Company in Roswell. We
25 sent our letter there; we made calls; we tried to find this

1 Monarch Investment Company; could not.

2 Mr. Opperman talked to an attorney in
3 Roswell who knows a lot of people there, by the name of Sim
4 Christy, and he had never heard fo Monarch Investment Com-
5 pany, and so we just could not find anything on that.

6 And Clarice Van Eman, we found out that
7 it's -- instead of Bellings, Washington, it was Bellinham,
8 Washington, and we checked, we had someone to check the
9 phone books in that particular city and to make calls, but
10 we just could not locate this Clarice Van Eman also.

11 Q When did Clarice Van Eman -- what was the
12 last date she'd ever been heard of, heard from?

13 A I don't have that before me.

14 MR. CARSON: None of these are
15 recent dates, though, are they?

16 A No, this is dating back in the thirties
17 and forties.

18 Q Okay.

19 Now then, on your proposed overhead char-
20 ges, \$200 --

21 A Uh-huh.

22 Q -- is this an overhead rate that has been
23 charged voluntarily by Amerada Hess to other parties in this
24 area?

25 A Yes, we've charged more than this in the

1 area.

2 Q Okay. Have -- has Amerada Hess accepted
3 these charges voluntarily when Amerada Hess has been leased
4 by other parties?

5 A Yes.

6 Q What were overhead charges about this
7 time last year?

8 A We entered into an agreement with Yates
9 concerning the Lovington No. 8 Well. I don't have that ex-
10 act figure in front of me but it was roughly about the same.

11 Q How about two years ago?

12 A I don't -- I don't have that figure.

13 Q Or three years ago?

14 A I don't have that.

15 Q In your opinion this overhead charge of
16 \$5200 while drilling and \$520 is not excessive?

17 A It is not excessive.

18 MR. STOGNER: Are there any
19 other questions of this witness?

20 If not, he may be excused.

21 Mr. Carson?

22 MR. CARSON: I'd like to have
23 Mr. Lupe, please.
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25

1 ROBERT D. LUPE,
2 being called as a witness and being duly sworn upon his
3 oath, testified as follows, to-wit:

4
5 DIRECT EXAMINATION

6 BY MR. CARSON:

7 Q Mr. Lupe, would you state your name once
8 again for the record?

9 A Robert Lupe.

10 Q And, Mr. Lupe, by whom are you employed?

11 A I'm employed by Amerada Hess.

12 Q In what capacity?

13 A I am a geologist in the Midcontinent
14 Area.

15 Q You have not previously testified before
16 the New Mexico Oil Conservation Division, have you?

17 A No, I haven't.

18 Q Would you tell the examiner a little bit
19 about your educational background?

20 A Yes. I graduated with a BA from Pomono
21 College, Claremont, California.

22 Received a Master's degree from the Uni-
23 versity of Washington in Seattle.

24 Q In what --

25 A In geology.

1 Q -- in geology?

2 And what kind of experience have you had
3 in West Texas and New Mexico?

4 A I have been MidContinent Area, the area
5 responsible for Texas and New Mexico since January of this
6 year.

7 Q Are you acquainted with this AHC Andrus
8 No. 1-9 prospect of Amerada Hess'?

9 A Yes, I am.

10 Q I'm going to hand you what has been
11 marked as Applicant's Exhibit D and D-1 and ask if you're
12 acquainted with those?

13 A Yes, I am.

14 Q And would you tell the examiner what
15 those are?

16 A Exhibit D is titled "Final AFE Cost Esti-
17 mate". That's the estimated cost for the drilling of the
18 subject well.

19 Exhibit D-1 is the cost comparison. We
20 exhibit that item in order to show the reasonableness and
21 the accuracy of our experience in estimating well costs in
22 the area.

23 Q And are those two exhibits accurate to
24 the best of your knowledge and belief?

25 A Yes, they are.

1 MR. CARSON: I would like to
2 move the introduction of Applicant's Exhibits D and D-1.

3 MR. STOGNER: Exhibits D and D-
4 1 will be admitted into evidence.

5 MR. CARSON; I'm sorry, I
6 neglected to do one thing, Mr. Examiner. I forgot to ask if
7 Mr. Lupe's qualifications were acceptable.

8 MR. STOGNER: I thank you for
9 reminding me of that. He is so qualified.

10 I have an Exhibit F here.

11 MR. CARSON: I'm -- I'm working
12 that way.

13 MR. STOGNER: Oh, I'm sorry.

14 MR. CARSON: I'm getting to it.
15 I started introducing exhibits and realized I'd failed to
16 qualify my witness, that's all.

17 Q I'm going to refer you, Mr. Lupe, to
18 Applicant's Exhibit Number F and ask you to identify that.

19 A Shall I describe it?

20 Q Yes, please.

21 A Exhibit F is a map of most of the
22 Northeast Lovington Pennsylvanian Pool.

23 It's located in Township 1 South, Range
24 37 East. The location of the subject well in the northwest
25 of the southwest of Section 9 is located by a triangle.

1 The symbols there, if I may --

2 Q Please.

3 A -- explain them, identify profitable pro-
4 ducing wells, as you see in the title block in the lower
5 righthand corner there, marginal producing wells and profit-
6 able producing wells.

7 The intent of this exhibit is to show --
8 is to document, rather, the risk associated with the pros-
9 pect.

10 Q Was this exhibit prepared by you or under
11 your supervision or have you examined it and determined its
12 accuracy?

13 A Yes, I have.

14 Q Okay.

15 MR. CARSON; I would like to
16 move the introduction of Applicant's Exhibit F and I'll have
17 him explain this a little further.

18 MR. STOGNER: Exhibit F will be
19 admitted into evidence.

20 Q Mr. Lupe, do you have any -- do you know
21 what -- how many of these wells are dry holes?

22 A I could count them up for you. They are
23 identified by traditional dry hole symbols --

24 Q Okay.

25 A -- on the map and of course all fo them

1 are unprofitable wells.

2 Q And how many --

3 A They're not producing.

4 Q And how many -- you also have some wells
5 that will pay out, is that correct?

6 A Right. They are identified by the yellow
7 circle.

8 Q Do you have in your -- do you have an
9 opinion as to a risk factor that should be assigned to this
10 well based on your analysis of the wells which either have
11 not -- will not pay out, will pay out, or were dry holes?

12 A We're risking this at one in three. That
13 analysis comes from our analysis of the geology and I'd be
14 happy to elaborate on this, if you'd like.

15 Q Okay, do, surely.

16 A Production here is -- is very local. The
17 reservoir is complex, unpredictable, stratigraphic trap,
18 rather than a structural trap, associated with algal mound
19 development in Strawn rocks.

20 MR. STOGNER: Let's get algal
21 out of the way. How do you spell that?

22 A A-L-G-A-L.

23 MR. STOGNER: Please continue.

24 Q Thank you. A main feature of the exhibit
25 that I would like to point out is the fact that production

1 is unpredictable and as you see from the exhibit, there are
2 many dry holes not only ringing production but right in the
3 middle of it in this Northeast Lovington Pennsylvanian Pool.

4 So not only do we see a great deal of --
5 of unpredictability and risk within that Northeast Lovington
6 Pool itself, but as we go -- as we try and stretch the
7 limits of that pool to the northeast in the area of that
8 subject well, we even see greater risk.

9 Q Based on your analysis of this area do
10 you have a penalty to recommend to the Commission?

11 A Cost plus 200 percent.

12 Q Mr. Lupe, in your opinion will the grant-
13 ing of this application for the forced pooling prevent
14 waste, protect correlative rights and otherwise protect the
15 rights of the parties?

16 A Yes, I believe so.

17 MR. CARSON; I don't have any
18 further questions.

19 MR. STOGNER: I have no ques-
20 tions of Mr. Lupe.

21 Are there any other questions
22 of this witness?

23 If not, he may be excused.

24 Is there anything further in
25 Case Number 8650 today?

1 If not, Mr. Lupe, you may be
2 excused.

3 This case will be kept open un-
4 til the Examiner Hearing scheduled for August 14, 1985, at
5 which time this case will be readvertised.

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7 (Hearing concluded.)
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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 hear-
ing, 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. 8650,
heard by me on 17 July 1985.

Michael E. Sogner, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico

14 August 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Amerada Hess Cor-
poration for compulsory pooling,
Lea County, New Mexico.

CASE
8650

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
Legal Counsel to the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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MR. STOGNER: Call next Case
Number 8650.

MR. TAYLOR: The application of
Amerada Hess Corporation for compulsory pooling, Lea County,
New Mexico.

MR. STOGNER: This case was
heard on July 17th, 1985. It had to be readvertised due to
an advertisement error.

At this time we will call for
any additional appearances and/or testimony.

There being none, this 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 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. 8650, heard by me on 14 August 1985.

Michael E. Stogner, Examiner
Oil Conservation Division