

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

6
7 25 September 1985

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Application of Yates Petroleum Corpor- CASE
11 ation for compulsory pooling, DeBaca 8711
12 County, New Mexico.

13 BEFORE: Michael E. Stogner, Examiner

14
15 TRANSCRIPT OF HEARING

16
17 A P P E A R A N C E S

18
19
20
21 For the Oil Conservation
22 Division:

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

26 For the Applicant:

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

WILLIAM JAMES BALL, JR.

Direct Examination by Mr. Carr	4
Cross Examination by Mr. Stogner	16

E X H I B I T S

Yates Exhibit One, Plat	6
Yates Exhibit Two, Mineral Take-off	7
Yates Exhibit Three, AFE	10
Yates Exhibit Four, Correspondence	12
Yates Exhibit Five, Return Receipts	12

1

2

MR. STOGNER: Call next Case
Number 8711.

4

5

6

MR. TAYLOR: Application of
Yates Petroleum Corporation for compulsory pooling, DeBaca
County, New Mexico.

7

8

MR. STOGNER: Call for
appearances.

9

10

11

12

MR. CARR: May it please the
Examiner, my name is William F. Carr, with the law firm
Campbell and Black, P. A., of Santa Fe, appearing on behalf
of Yates Petroleum Corporation.

13

14

I have one witness who needs to
be sworn.

15

16

MR. STOGNER: Will the witness
please stand and be sworn at this time?

17

18

(Witness sworn.)

19

20

21

22

MR. CARR: May it please the
Examiner, this case has been advertised indicating that the
subject property is located in DeBaca County.

23

24

25

The acreage actually lies in
Roosevelt County, and we'd therefore request that the matter
be readvertised.

1 We would request permission to
2 go forward with the case at this time, however.

3 MR. STOGNER: Oops! Yes, Mr.
4 Carr.

5 MR. CARR: Does that meet with
6 your approval, Mr. Examiner?

7 MR. STOGNER: Yes, sir, Mr.
8 Carr. I don't know how this blatant mistake was made but I
9 will apologize on any parts of our doing.

10 We will go ahead and hear the
11 case today and have this case readvertised in the right
12 county.

13
14 WILLIAM JAMES BALL, JR.,
15 being called as a witness and being duly sworn upon his
16 oath, testified as follows, to-wit:

17
18 DIRECT EXAMINATION

19 BY MR. CARR:

20 Q Will you please state your name and place
21 of residence?

22 A William James Ball, Junior, Roswell, New
23 Mexico.

24 Q Mr. Ball, by whom are you employed and in
25 what capacity?

1 A I'm employed by Yates Petroleum Corpora-
2 tion as a petroleum landman.

3 Q Have you previously testified before the
4 Division and had your credentials as a petroleum landman ac-
5 cepted and made a matter of record?

6 A Yes, I have.

7 Q Are you familiar with the application
8 filed in this case on behalf of Yates Petroleum Corporation?

9 A Yes, I am.

10 Q Are you familiar with the subject area?

11 A Yes, I am.

12 MR. CARR: We tender Mr. Ball
13 as an expert witness in petroleum land matters.

14 MR. STOGNER: Mr. Ball, did you
15 make the application?

16 MR. CARR: Mr. Stogner, I made
17 the application and if there are errors in it, I'm respons-
18 ible for those.

19 MR. STOGNER: In that case, Mr.
20 Ball is so qualified.

21 Q Mr. Ball, will you briefly state what
22 Yates seeks with this application?

23 A We desire to pool all mineral interest
24 from the surface to the top of the PreCambrian formation un-
25 der the south half of Section 27, Township 2 South, Range 29

1 East, Roosevelt County, New Mexico.

2 Q Now, Mr. Ball, if Yates drills a well and
3 is successful in getting or completing a well above the top
4 of the Abo formation, what would be the spacing in those in-
5 tervals?

6 A Well, I believe the spacing should be for
7 oil 40 acres; if it's gas above the top of the Wolfcamp it
8 would be 160; below the top of the Wolfcamp it should be a
9 laydown 320.

10 Q And is Yates only seeking an order that
11 would pool the acreage in those various units in the fashion
12 consistent with the spacing for those pools?

13 A Yes.

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

16 A Yes, sir, I have.

17 Q Would you refer to what has been marked
18 for identification as Exhibit Number One?

19 A Yes. That is the land plat.

20 Q Would you refer to this please and iden-
21 tify the information contained thereon?

22 A Okay. It basically shows lands colored
23 yellow would be the maximum spacing unit. The well location
24 is shown there in red.

25 The -- just for fun facts I guess any-

1 thing you see on the map with Depco is actually Yates, Dep-
2 co, and Nicor on the offset acreage.

3 Q Is the proposed well at a standard loca-
4 tion?

5 A Yes, it is.

6 Q And would it be standard for either a 40-
7 acre oil well or 160-acre gas well or a 320-acre gas well?

8 A Yes.

9 Q And this plat with the changes noted
10 shows the ownership in the area.

11 A That's right.

12 Q North of the well in the northeast of
13 Section 27 is a well symbol. Who drilled that well?

14 A That was drilled by Tidewater.

15 Q And was that a producer?

16 A No, it was a dry hole.

17 Q Would you now refer to what has been mar-
18 ked Yates Exhibit Number Two, and identify this for Mr.
19 Stogner?

20 A That is a mineral take-off that was pro-
21 posed prior to my beginning to lease lands.

22 Q And who was it prepared by?

23 A It was prepared by an abstract company in
24 Roosevelt County.

25 Q And it consists of four pages, the first

1 two being the southeast quarter of this section and the
2 second two being the southwest quarter.

3 A That's correct.

4 Q Have you reviewed this mineral take-off
5 and can you testify as to its accuracy?

6 A Yes, I can, it's very accurate.

7 Q Would you review the ownership breakdown
8 under this south half and in so doing identify for Mr. Stog-
9 ner those interests which have not voluntarily committed to
10 the drilling of the well?

11 A Yes. The interests that are not volun-
12 tarily committed to the well are the H. W. Taylor Estate,
13 the E. H. -- I'm sorry, take that back.

14 Okay. Can I just say all those on the
15 application less four people?

16 Q Why don't you go ahead and just provide
17 the Examiner with the names of the individuals who are still
18 not voluntarily in this well?

19 A Okay. The ones that are not voluntarily
20 in the well are the R. B. Cowden Estate and Barbara Fae Cow-
21 den Estate. Bonnie H. Morrison, which is also known as
22 Bruce K. Matlock Estate; Texaco, Inc.; Lynn W. Stover Gray,
23 June D. Speight; Amax Petroleum Corporation; Robert E.
24 LeBlond.

25 Q Mr. Ball, who has joined in the drilling

1 of the well since the time this application was filed?

2 A The ones that have joined in it are the
3 H. W. Taylor Estate; the E. H. and Rosemary Holcomb; Joe and
4 Verna Canon; Norma Jean Dean.

5 Q What is the percentage of the acreage
6 which has been voluntarily committed to the drilling of this
7 well, and first I'd like to figure on the voluntary partici-
8 pation in either a 40-acre oil well or a 160-acre gas well.

9 A Okay, for 40, 80, or 160-acre spacing, it
10 will be -- it's presently -- what we have in hand is 72 per-
11 cent of the leasehold.

12 If it's a 320 south half spacing unit
13 it's 77 percent.

14 There's a substantial amount that's sup-
15 posedly on its way in the mail right now; just don't have it
16 in hand.

17 Q What is the status of the acreage held by
18 June D. Speight?

19 A Her interest is, I believe it's -- on a
20 spacing of 320, that being the south half, it's .059010.

21 For the other 40, 80, or 160 acre spacing
22 it's the same percentage.

23 Q Has her acreage been voluntarily commit-
24 ted to the drilling of the well?

25 A We do not have a lease in hand, no.

1 Q Have you received communication from the
2 firm of Atwood and Malone advising that that -- that an
3 agreement has been reached?

4 A Yes, we have, but again we do not have
5 the leases in hand yet. I, you know, just prefer to keep
6 them on.

7 Q And is the letter from Atwood and Malone
8 also included with letters that are going to be presented as
9 a subsequent exhibit?

10 A Yes.

11 Q Would you now go to what has been marked
12 as Yates Exhibit Number Three, identify this and review it
13 for the examiner.

14 A Okay. That is the AFE showing dry hole
15 costs of \$325,000 and the completed well costs, \$566,000.

16 Q Are these costs in line with what is
17 charged for similar wells?

18 A Yes, they are.

19 Q Could you summarize generally the efforts
20 made by Yates Petroleum Corporation to obtain the voluntary
21 joinder of all the interest owners in the south half of this
22 section, their participation in the proposed well?

23 A Sure. On approximately July, I think it
24 was 3rd, was when my first letters went out, just a standard
25 Yates desire to lease type letter. Then follow-ups with

1 with phone calls and subsequent letters; negotiations in
2 some cases, or I should say extended negotiations in some
3 cases.

4 In one case, Mr. LeBlond, I've not been
5 able to locate an address. I've gone to the county records
6 myself on top of this mineral take-off that was compiled by
7 someone else. I've gone to the actual homes in some cases.
8 I've sent letters to current residents in some cases; basic-
9 ally just every avenue that you could do, I've done it.

10 Q Okay, in terms of your efforts to locate
11 Mr. LeBlond, in addition to having the abstractor look at --
12 attempt to locate him and your review of the country re-
13 cords, what else have you done?

14 A Well, at -- just looked in the county re-
15 cords and I had located a Midland address at one time, but
16 looking in the current Midland phone book he wasn't in
17 there.

18 Not having a specific address at any one
19 time, I couldn't send a letter to a current residence or go
20 out to the house.

21 The public records were checked by -- in
22 Roosevelt County by the abstract company but not by myself.

23 Q In your opinion has Yates Petroleum Cor-
24 poration made a good faith effort to located and obtain vol-
25 untary joinder of all interest owners in the south half of

1 Section 27

2 A Yes.

3 Q Has Yates drilled other wells to this
4 depth in the immediate area?

5 A In the immediate area, no. We have
6 drilled two wells, one being about 4-1/2 miles away; the
7 other one being 6 miles away, but they are dry holes.

8 Q Is Exhibit Number Four copies of the let-
9 ters you have written to those interest owners who still
10 have not voluntarily joined in the well?

11 A Yes. There's approximately 24 or 5 let-
12 ters here of the interests that I desire to pool.

13 Q And does this exhibit also contain the
14 letter from Charles Malone concerning the interest of June
15 D. Speight?

16 A Yes, it does.

17 Q Would you identify Exhibit Number Five
18 for Mr. Stogner, please?

19 A That is the return receipts of the notice
20 of pooling hearing scheduled for today. I believe a couple
21 of receipts haven't been returned.

22 MR. CARR: And, Mr. Stogner,
23 with your permission we will provide you with those receipts
24 as soon as they are received.

25 MR. STOGNER: Do you have a

1 listing of who those might be?

2 MR. CARR: The individuals who
3 we have not yet received a return receipt from are Amax Pet-
4 roleum Corporation, Lynn W. Stoltenberg Ray, Sue Ann Stol-
5 tenberg Campbell, and that's all. Everyone else we have the
6 receipts back.

7 And we'll submit those to you
8 as soon as they're received.

9 Q Mr. Ball, are you prepared to make a re-
10 commendation to the examiner as to the risk penalty that
11 should be assessed against the nonconsenting interest own-
12 ers?

13 A Yes, I am.

14 Q And what is that figure?

15 A The maximum 200 percent on top of the 100
16 percent.

17 Q What do you base that recommendation on?

18 A Basically because of -- you can see for
19 yourselves on the plat that I furnished that there's only
20 one well that's ever been drilled in the township and -

21 Q And that well is a dry hole?

22 A It's a dry hole. If I took all the town-
23 ships around that township and the townships around it,
24 there is no producing wells in either of those. I think it
25 comes up around 900 square miles that there's no production

1 at all.

2 That, coupled with no geological or tech-
3 nical data available, well, there is, but not a great quan-
4 tity of it, that's what I base my recommendation on.

5 Q And the only three wells in this area
6 have been dry holes.

7 A Yes.

8 Q Do you believe there is a chance Yates
9 could drill a noncommercial well at this location?

10 A Yes.

11 Q Have you made an estimate, has Yates made
12 an estimate of the overhead and administrative costs to be
13 assessed while drilling the well and also while producing
14 the well if in fact it is a successful completion?

15 A Yes. Drilling of the well was \$3400.
16 The monthly rates thereafter are \$340.

17 Q Are these costs in line -- are these fig-
18 ures in line with what other operators are charging?

19 A Yes, they are.

20 Q And do you recommend that these figures
21 be incorporated into any order which results from this hear-
22 ing?

23 A Yes, I do.

24 Q Does Yates Petroleum Corporation seek to
25 be designated operator of the proposed well?

1 A Yes, they do.

2 Q When does Yates anticipate actually spud-
3 ding the well?

4 A October.

5 Q And so when the advertisement is correct-
6 ed, are you seeking at that time an expedited order?

7 A Yes, very definitely.

8 Q Mr. Ball, in your opinion will granting
9 this application be in the best interest of conservation,
10 the prevention of waste, and the protection of correlative
11 rights?

12 A Yes.

13 Q Were Exhibits One through Five prepared
14 by you or compiled under your direction?

15 A Yes, sir.

16 MR. CARR: At this time, Mr.
17 Stogner, we'd offer into evidence Yates Exhibits One through
18 Five.

19 MR. STOGNER: Exhibits One
20 through Five will be admitted into evidence.

21 MR. CARR: And that concludes
22 my direct examination of Mr. Ball.

23

24

25

1 CROSS EXAMINATION

2 BY MR. STOGNER:

3 Q Mr. Ball, just something that catches my
4 mind. What was the problem you had with Texaco? I notice
5 you got hold of them in Midland and in Roswell.6 A Texaco, I believe, has two departments
7 which I wasn't aware of when I initially sent my letter to
8 them and that was a development office in, I believe, Mid-
9 land, and an exploration office being in Denver, and I just
10 sent it to Mr. Birdwell and then Mr. Birdwell forwarded them
11 on to Denver.12 I know the day that I left to come to
13 this hearing I sent another copy of Texaco because I talked
14 with them a couple of times and the man which I had talked
15 with didn't remember talking to me, couldn't find the let-
16 ters sent to him by Mr. Birdwell.17 So I sent him my complete file of all the
18 correspondence from day one, just a day or two ago.

19 Q What office, Denver or --

20 A Yes, the Denver Office.

21 Q On Exhibit Number Two are all the inter-
22 ests in the southeast quarter, are they undivided interests?23 A The interests in the southeast and the
24 southwest are slightly different.

25 Q But all the ones -- but all the ones in

1 the southeast quarter, are they undivided?

2 A Yes.

3 Q Okay, as opposed to divided; same as the
4 southwest quarter, okay.

5 A Yes.

6 Q I'm still somewhat confused, let's just
7 stay with the southeast quarter. Let's don't confuse the
8 issue in here.

9 A Okay.

10 Q Now who all has volunteered, who all
11 plans to volunteer, and who you haven't got ahold of?

12 A I've contacted -- I've gotten ahold of
13 every party with the exception of Mr. LeBlond. He's the
14 only party that I wasn't able to contact.

15 Q What was the last address you had on him?

16 A Midland, Texas. I believe it was a 1950
17 address.

18 Q And when did you start the search on Mr.
19 LeBlond?

20 A July.

21 Q Now he is, he only has interest in the
22 southeast quarter and not the southwest quarter, is that
23 correct?

24 A Yes, sir, that's correct.

25 Q No next of kin, no leads on Mr. LeBlond?

1 A I tried. I got leads on everyone else
2 and was able to find them through, really, just kind of
3 fluke kind of stuff, like old postmasters, stuff like that.
4 That's how I found one or two.

5 But not on him. It's just a blank. I
6 found out the history on this, that it was basically an at-
7 torney sold this interest to a lot of Midland people and
8 that's the last thing that ever really happened to it.

9 And talking with the other, I've even
10 asked the other people that I've leased if they knew him,
11 thinking he might be a business partner or cousin, brother-
12 in-law, something like that. He wasn't.

13 Most of the people in most cases didn't
14 know the other people.

15 Q Okay, now let's go with the southwest
16 quarter and the same question on that.

17 Who all has not volunteered or expressed
18 an interest in volunteering? Are they marked as "open" or
19 --

20 A Well, again, this is an old list. This
21 is the list as it was prior to me even making the first
22 phone call.

23 But the people that haven't on the south-
24 west quarter committed themselves are the R. B. Cowden Es-
25 tate and Barbara Fae Cowden Estate; Bonnie H. Morrison and

1 Bruce K. Matlock Estate; Texaco, Inc.; Sue Ann Stoltenberg
2 Campbell; Lynn W. Stoltenberg Gray; June D. Speight; and
3 Amax; and Robert E. LeBlond.

4 Now, of course, some of those should be
5 in the mail to me, like they might be back when I'm in the
6 office tomorrow, but I checked in the office this morning
7 and I did not have all of them.

8 Q Well, we've got approximately a month
9 before we rehear this, essentially. Would you please
10 submit --

11 MR. CARR: We'll advise you as
12 soon as leases -- I understand Speight is in the mail and
13 also that Amax is in the mail. We don't know about some of
14 the others, but we'll let you know as those leases are
15 received.

16 MR. STOGNER: It would make it
17 less confusion if you'd send me a more up to date check
18 list.

19 MR. CARR: What we can do,
20 attached to the application is a list of all those who had
21 not joined and we can advise you which of those individuals
22 have joined and we'll that, try and do that in a couple of
23 weeks, prior to the time you get to an order, but after
24 we've had time to get a response from the most recent
25 mailing.

1 MR. STOGNER: What was your
2 overhead charges again?

3 A The drilling charge was \$3400. The
4 monthly, thereafter, is \$340.

5 Q What is the nearest producing well that
6 you have?

7 A Well, I didn't figure it out but if you
8 take three townships anywhere from that one, say no closer
9 than 20 plus miles. That's my approximation. It may be as
10 much as 40, but I just took that township, the townships
11 around that and then the townships around them and figured
12 that that was farther than I could throw.

13 Q Okay. If you look on Exhibit Number One
14 and look due west, what's that line over there on the side
15 of the page?

16 MR. CARR: That's a county
17 line.

18 MR. STOGNER: What's the county
19 adjacent?

20 MR. CARR: I don't know.

21 A That's DeBaca County.

22 MR. STOGNER: Okay, so we were
23 in the ballpark.

24 I have no further questions of
25

1 Mr. Ball.

2 Is there anything further of
3 this witness?

4 MR. CARR: Nothing further, Mr.
5 Stogner.

6 MR. STOGNER: If not, he may be
7 excused.

8 Is there anything further in
9 Case Number 8711 at this time?

10 MR. CARR: Nothing further.

11 MR. STOGNER: Due to a blatant
12 error Case No. 8711 will be continued and readvertised for
13 the Examiner Hearing scheduled for October 23rd, 1985.

14 Also pending information as it
15 does come in to supplement the casing record.

16 The record on this case will be
17 left open until that time.

18

19 (Hearing concluded.)

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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 true record of the proceedings in the Examiner hearing of Case No. 8711 heard by me on 25 September 19 85.
Michael E. Stogner, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6
7 23 October 1985

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Disposition of cases without testi-
11 mony from the docket for 23 October
12 1985.

CASES 5777
8730, 8731
8733, 8711
8719, 3735
8736, 8737
8733, 8712
8721, 8689
8739, 8732

13 BEFORE: Michael E. Stogner, Examiner

*Transcript in
Case 8730*

14
15 TRANSCRIPT OF HEARING

16
17 A P P E A R A N C E S

18
19 For the Oil Conservation
20 Division:

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

21
22 For the Applicant:
23
24
25