

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

12 June 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Amoco Production Com-
pany for compulsory pooling, Union
County, New Mexico. CASE
8918 & 8920

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

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

For Amoco Production:

Clyde A. Mote
Attorney at Law
Amoco Production Company
Post Office Box 3092
Houston, Texas 77253

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

STATEMENT BY MR. MOTE 4

TIMOTHY R. CUSTER

Direct Examination by Mr. Mote 5

STEPHEN P. SCHEFFLER

Direct Examination by Mr. Mote 28

E X H I B I T S

Amoco Exhibit One, Area Map 7

Amoco Exhibit Two, Map 7

Amoco Exhibit Three, Breakdown 8

Amoco Exhibit Four, Packet 8

Amoco Exhibit Five, Packet 16

Amoco Exhibit Six, Packet 20

Amoco Exhibit Seven, Plat 23

Amoco Exhibit Eight, Breakdown 23

Amoco Exhibit Nine, Packet 24

Amoco Exhibit Ten, Well Cost Data 29

Amoco Exhibit Eleven, Well Cost Data 30

Amoco Exhibit Twelve, Recommendations 30

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

MR. CATANACH: This hearing will come to order once more.

We'll call next Case 8918.

MR. TAYLOR: The application of Amoco Production Company for compulsory pooling, Union County, New Mexico.

MR. CATANACH: Are there appearances in this case?

MR. MOTE: Mr. Examiner, my name is Clyde Mote. I'm an attorney representing Amoco Production Company in association with Bill Carr of the law firm of Campbell and Black, Santa Fe.

We will have two witnesses. I would ask, though, that since the cases have similar facts and probably you can reach similar conclusions, that the Case 8920 also be called at this time and that they be consolidated for the purposes of testimony.

MR. CATANACH: At this time we'll call Case 8920.

MR. TAYLOR: The application of Amoco Production Company for compulsory pooling, Union County, New Mexico.

MR. CATANACH: At the request of the applicant Case Number 8918 and Case Number 8920 will

1 be consolidated for the purpose of testimony.

2 MR. MOTE: Mr. Examiner, this
3 is the application of Amoco for compulsory pooling.

4 MR. TAYLOR: I was just
5 inquiring, the witnesses have already been sworn.

6 MR. MOTE: This one hasn't.

7 Why don't we go ahead and swear
8 him.

9

10 (Witness Timothy R. Custer sworn.)

11

12 MR. MOTE: Mr. Examiner, this
13 is the application of Amoco for compulsory pooling of all
14 mineral interests in carbon dioxide only from the base of
15 the Cimarron Anhydrite marker to the top of the PreCambrian
16 Basement underlying Section 1, Township 19, Range 35 East,
17 in Union County, forming a standard 640-acre pool, spacing
18 and proration unit and for the compulsory pooling of all
19 mineral interests in carbon dioxide only from the same
20 interval underlying Section 13, Township 19 North, Range 34
21 East, in Union County, forming another 640-acre pool, spac-
22 ing and proration unit, docketed as Cause 8918 and 8920, re-
23 spectively, which we have requested be consolidated for
24 hearing purposes.

25

Well No. 011 in Gas Unit 1935

1 has already been drilled, completed, and producing in Sec-
2 tion 1 and Well No. 131 in Gas Unit 1934 has already been
3 drilled, completed and producing in Section 13.

4 The cost of drilling and com-
5 pletion are the actual costs incurred, which should be allo-
6 cated to the unleased interests as well as the actual
7 operating costs and charges for supervision.

8 Amoco requests that it be
9 designated operator and a 200 percent penalty be assessed
10 for risks inherent in drilling and completing said wells.

11 We call as our first witness
12 Tim Custer.

13
14 TIMOTHY R. CUSTER,
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. MOTE:

20 Q Mr. Custer, would you please state your
21 name, by whom employed and in what capacity and location?

22 A Timonthy R. Custer. Amoco Production
23 Company in Houston, Texas, and I am a petroleum landman.

24 Q And would you please relate to the exam-
25 iner your educational experience?

1 A I have a Bachelor's of business adminis-
2 tration from the University of Texas at Austin in petroleum
3 land management.

4 Q All right, and when did you obtain that
5 degree?

6 A '84.

7 Q And since that time you've been working
8 for Amoco Production Company, is that correct?

9 A Yes.

10 Q And in what capacity have you been work-
11 ing for Amoco?

12 A As a landman.

13 Q And are you familiar with the subject of
14 this application?

15 A I am.

16 Q And are you familiar also with the wells
17 that are involved and the compulsory pooling that has been
18 requested?

19 A Yes.

20 Q And have you either prepared yourself or
21 under your supervision and direction all of the exhibits
22 which will be made a part of this case?

23 A I have.

24 MR. MOTE: Is there any ques-
25 tion concerning Mr. Custer's qualifications as a landman?

1 MR. CATANACH: Mr. Custer is
2 considered qualified.

3 Q If you would, please turn to your Exhibit
4 Number One, Mr. Custer, and tell us what we have shown by
5 this exhibit.

6 A This is a unit area map of the Bravo Dome
7 Carbon Dioxide Gas Unit in Union, Harding, -- in parts of
8 Union, Harding, and Quay County, New Mexico. It encompasses
9 approximately 1,036,000 acres.

10 Highlighted in yellow are the two subject
11 wells of this application.

12 Q All right, let's go to your Exhibit
13 Number Two. What do you have shown by this exhibit?

14 A This is a blown-up map of Township 19
15 North, Range 34 East, in the top portion, highlighting Sec-
16 tion 13.

17 In the lower portion of the map is a
18 blow-up of the Section 13, illustrating the mineral interest
19 owners and their respective interests.

20 Highlighted on the very bottom portion of
21 the map in the south half of the south half of Section 13
22 are four individuals which are unleased at this point.

23 Q And who are those four persons?

24 A Cressed Card Volleau, Louise V. Murray,
25 the heirs of Ellen Richards, and Miles Harriger.

1 Q And this is in connection with Docket
2 8920 only, is that correct?

3 A Yes, sir.

4 Q All right, and this shows that in the en-
5 tire section only the bottom 1/4th has unleased interests in
6 it, is that correct?

7 A Yes, sir.

8 Q And that the well is shown on this as
9 being in the north 1/4th of the section.

10 A That is correct.

11 Q All right, let's go to your Exhibit Num-
12 ber Three. What is this exhibit?

13 A This is a breakdown of the ownership in
14 Section 13 of 1934 in Union County. It's broken out by
15 tract with acreage description, the mineral owners names,
16 their gross acres, the interest they own, their net acres,
17 and the status of their mineral interest.

18 Q This is in Case Number 8920 only, also,
19 is that correct?

20 A Yes, sir.

21 Q All right, let's go to your Exhibit Num-
22 ber Four. This is going ot be a packet, is it not, dealing
23 with your contacts or lack of contact as it may be, with one
24 set of unleased mineral interest owners, is that correct?

25 A Yes, sir.

1 Q That's the Cressed Card Volleau and Louise
2 V. Murray interests.

3 A That is correct.

4 Q If you would get into this, state where
5 did they acquire their title just quickly, from what source?

6 A Okay. M. Belle Christy originally owned
7 full mineral interest in the subject tract. She died, leav-
8 ing a will, and which was probated in Warren County, Penn-
9 sylvania.

10 Her heirs to that will were five indivi-
11 duals. They were all her sons and daughters. The names
12 were Louise V. Card, Joseph B. Richards, Francis F. Rich-
13 ards, and Ethel Harriger. Those names will come up over and
14 over again with -- in relation to a number of these exhi-
15 bits, but for this specific case we're dealing with Louise
16 V. Card, who owned or inherited a 1/10th mineral interest
17 from her mother's estate, Belle Christy.

18 Louise V. Card in turn died and her will
19 was probated in Warren County, Pennsylvania in 1953. The
20 two heirs to Louise V. Card were Louise V. Murray, Cressed
21 Card Volleau, her two daughters.

22 Q All right, and if you would now turn to
23 Exhibit Number Four and explain to the examiner shortly -- I
24 mean as little detail as you can what's contained within
25 this packet.

1 A Okay.

2 Q Now this packet deals only with Louise
3 Murray and Cressed Volleau, is that correct?

4 A Louise V. Murray and Cressed Card Vol-
5 leau. That's correct.

6 Q This is the interest emanating from
7 Louise V. Card.

8 A That is correct.

9 Q Okay, go ahead.

10 A The first or the top letter of Exhibit
11 Number Four is a letter from one of the sub-brokers who
12 works underneath -- beneath my supervision, whereby he is --
13 sent this letter illustrating the way in which he determined
14 the ownership of Louise V. Murray and Cressed Card Volleau
15 and his subsequent efforts trying to locate these two indi-
16 viduals.

17 The first set of papers after the letter
18 is the probate of Louise V. Card's will, listing two
19 devisees, Louise V. Murray and Cressed Card Volleau as own-
20 ing an equal interest in her 1/10th interest.

21 The addresses for the two individuals,
22 Louise V. Murray and Cressed Card Volleau, were Spring
23 Creek, Pennsylvania, and Cleveland, Ohio, respectively.

24 Because there was an address listed in
25 the will in which they inherited this subject mineral inter-

1 est, that was the only known address that we had to go by.

2 The broker, Steve Jordan, under my
3 supervision, contacted Spring Creek, Pennsylvania, and
4 Cleveland, Ohio, directory assistance in an attempt to
5 locate the individuals but this turned up futile.

6 He in turn, realizing the way in which
7 they inherited this property, that they had inherited from
8 the estate of M. Belle Christy, who those individuals are
9 also lessors under this tract and who are leased to Amoco,
10 that his diligent attempt would be to try and locate or get
11 in touch with these people and see if they had any known
12 idea as to where these two individuals are, Louise V.
13 Murray and Cressed Card Volleau.

14 In reference to Louise V. Murray, he
15 talked with eight relatives, distant relatives of the
16 family. He also talked with a man by the name of Paul John-
17 son, who was the ex-husband of Louise V. Murray, who he had
18 -- they had entered into a divorce some fifty years prior.

19 Paul Johnson explained that they had,
20 Louise V. Murray and Paul Johnson had one daughter named
21 Shirley and that he had not heard from Shirley, his daugh-
22 ter, nor his ex-wife, Louise V. Murray, in a number of years
23 and he had no idea as to where they were or any known ad-
24 dress.

25 He had heard through the grapevine that

1 they had possibly moved to California. He had also heard
2 that Louise V. Murray had possibly passed away.

3 Nevertheless, our attempt to locate
4 Louise V. Murray in Spring Creek, Pennsylvania, at her last
5 address was futile.

6 In relation to Cressed Card Volleau, we
7 also checked the telephone listing, directory assistance, in
8 Cleveland, Ohio, which was futile.

9 We -- he in turn talked to the same eight
10 relatives that he had talked with in reference to Louise V.
11 Murray. He learned from them that she had moved away some
12 twenty years ago. He also talked with the ex-husband of
13 Cressed Card Volleau, whose name is Paul Broderick, and they
14 had also divorced. They had divorced in 1940, and Brod-
15 erick, the ex-husband, had not heard from her in years and
16 he also knew of no known address for her.

17 Just as in the case of Louise V. Murray,
18 the rumors through the grapevine were that she had died and
19 that she'd moved to California.

20 Q Okay. Did you send a letter of option to
21 these two parties?

22 A Yes, sir, we did. We felt that it would
23 be a prudent effort since we did know or pursuant to the
24 will in which they had inherited this property was listed an
25 address, that it would be prudent on our behalf of go ahead

1 and send a letter of option to their last known address.

2 Q And that was done by letter of April
3 28th, 1986, was it not?

4 A That's correct.

5 Q And it was addressed to Cressed Card Vol-
6 leau at what address?

7 A At 890 East 137th Street in Cleveland,
8 Ohio.

9 Q And what were the four options that you
10 offered to Ms. Volleau?

11 A Okay. Option number one was that they --
12 that she could grant Amoco an oil, gas, and mineral lease
13 covering carbn dioxide for a bonus of \$20.00 a net acre,
14 \$1.00 per acre delay rental, and a 3/16ths royalty upon exe-
15 cution of the same; she would share in the royalties in that
16 said section alone.

17 Option number two was that she could
18 grant Amoco a lease with the same terms as in option number
19 one with the exception that she could sign ratification
20 which would make her a -- which would allow her to share in
21 the royalties in the entire Bravo Dome Unit Area.

22 Option number three was that she could
23 execute an operating agreement making her a working interest
24 owner where she could pay the proportionate share of the
25 costs of that well in that section in cash up front or out

1 of production, making her a (not understood clearly) working
2 interest owner.

3 Number four would be to execute a ratifi-
4 cation agreement along with the Bravo Dome unit agreement
5 and unit operating agreement, making her a working interest
6 owner in the entire Bravo Dome Unit area.

7 Q Okay, and what happened to that -- by the
8 way, that letter had a lot of attachments that you didn't
9 attach. You do show an AFE but it had other attachments you
10 didn't include, is that correct?

11 A That is correct.

12 Q And was that sent to her by certified
13 mail?

14 A Yes, sir, it was.

15 Q When?

16 A It was mailed on May 7th of 1986 and it
17 was returned to me as "no such address" and "return to sen-
18 der" stamped by the Postal Service.

19 Q Okay, and your next correspondence is
20 with the same party at the same address by a May 14, 1986
21 letter, advising her of this hearing, is that correct?

22 A That is correct.

23 Q And did that also have the same fate?

24 A Yes, sir, it was also sent out certified
25 mail, return receipt requested, and it was also returned the

1 sender that it was -- there was no deliverable address.

2 Q When was it mailed?

3 A It was mailed on May 16th of 1986.

4 Q All right. The next letter appearing in
5 your packet is to Louise V. Murray at RD 1, Spring Creek,
6 Pennsylvania. Is that the last known address of Ms. Murray?

7 A Yes, sir, it is.

8 Q And this -- this is by letter dated April
9 28th, 1986, correct?

10 A That is correct.

11 Q And were the same four options offered to
12 Ms. Murray?

13 A That is correct.

14 Q Why the -- where did you get that last
15 known address?

16 A From the will of Louise V. Card.

17 Q Okay, and that also has attached an AFE
18 to it as well.

19 A That is correct.

20 Q And when was that mailed to her?

21 A That was mailed on April -- let me double
22 check here -- May 7th of 1986.

23 Q And what happened to it when the certi-
24 fied mail receipt was returned?

25 A It was sent "return to the sender. Un-

1 claimed. Refused. Address unknown."

2 Q Okay, your next letter appearing in this
3 packet is to Louise V. Murray and I believe this is notice
4 of the hearing, correct?

5 A That is correct.

6 Q Dated May 14th, 1986?

7 A Yes, sir.

8 Q When was that sent?

9 A That was sent May 16th of 1986, certified
10 mail, return receipt requested.

11 Q And was it received by her or what do you
12 know, what happened to it?

13 A That was also undeliverable.

14 Q Okay. All right, let's go on to the next
15 packet of material. This is what we call Exhibit Number
16 Five and it deals with the Joseph G. Richards, deceased, es-
17 tate, which was also a 1/10th mineral interest out of the M.
18 Belle Christy Estate, is that correct?

19 A That's correct.

20 Q And sort of give a brief description of
21 how this thing emanated from M. Belle Christy.

22 A Okay. Joseph G. Richards was one of the
23 brothers and sisters who inherited from the estate of M.
24 Belle Christy. She left the names of the brothers and sis-
25 ters in her will which was probated in Warren County, Penn-

1 sylvania.

2 Joseph G. Richards, and the first letter
3 numbered Exhibit Number Five, is a letter from the broker,
4 Steve Jordan, who traced this ownership and in the letter
5 also explains his efforts in trying to locate the owners,
6 with a little explanation also attached is the -- well,
7 first of all, Joseph G. Richards died intestate and he --
8 therefore leaving no probate or will, and under the laws of
9 New Mexico intestate, we determined that there were no
10 children in that -- in that family and his only heir was his
11 wife Ellen J. Richards.

12 So his title passed to Ellen Richards,
13 his 1/10th mineral interest.

14 In turn, five months later, Ellen Rich-
15 ards also died, November 23rd of 1949. She also died intes-
16 tate; however, there were estate documents filed in Warren
17 County, Pennsylvania referring to her estate, and I might
18 call your attention to what will be the fifth page of Exhi-
19 bit Number Five, which lists -- well, it states that this
20 documentation is in the estate of Ellen J. Richards, de-
21 ceased, and directly beneath that it states that she left
22 her surviving no husband or issue or parents of the County
23 of Warren -- excuse me, that she left her surviving no hus-
24 band or issue or parents or brothers or sisters and as her
25 only known next of kin certain cousins as follows, and it

1 lists fifteen cousins, the degree of kinship is not ex-
2 plained.

3 Out beside the name of the individual is
4 just the city and state in which they resided at this point
5 in time.

6 I might further add that in our effort to
7 attempt these fifteen cousins of Ellen J. Richards, we
8 called directory assistance in each one of the cities and
9 respective states for each one of the individuals and of all
10 fifteen cousins, or all fifteen individuals listed, we only
11 got one positive response and that was the John Robert Jack-
12 son who is now Reverend John Robert Jackson.

13 Steve Jordan, the broker, under my super-
14 vision, contacted Mr. Jackson, or the Reverend Jackson, in
15 an effort to have him shed a little light on the fourteen
16 cousins.

17 He was not aware of their whereabouts and
18 did not know most of them; however, he had heard that some
19 of them, some of the names he was familiar with, they had
20 all passed away and he was not aware of any of their where-
21 abouts.

22 Additionally, since these individuals
23 were heirs to Ellen J. Richards we figured that since all of
24 the subject people of this application were heirs of M.
25 Belle Christy one way or another, that we should go back and

1 try and contact our leased mineral interest owners. We con-
2 tacted eight different people, including the heirs of the
3 brothers and sisters, or brother-in-laws and sister-in-laws
4 of Ellen J. Richards, and none of them were aware of any of
5 the fourteen individuals which we attempted to locate.

6 Q So out of all of those that you ran down
7 from the Joseph G. Richards Estate the only one that you
8 could find alive was a guy by the name of Reverend John
9 Robert Jackson.

10 A That is correct.

11 Q And you got an address on him in Lock-
12 port, New York.

13 A Yes, sir.

14 Q And did you then send him a letter giving
15 notice of this hearing?

16 A I did.

17 Q Why didn't you send him an application or
18 ask him to join in the pooling operation?

19 A Well, basically, the main reason is, or
20 the only reason is because of the way the inheritance was
21 stated in Ellen J. Richards Estate documents. It listed
22 just the fifteen cousins with no degree of kinship; there-
23 fore we were unable to determine their respective -- any of
24 those fifteen individuals respective interests.

25 Q Okay, and so you sent a letter on May

1 14th, 1986, at 515 Locust Street, Apartment H-3 in Lockport,
2 New York, 14094, and you included a copy of the application
3 for this hearing and you sent it by certified mail. Cor-
4 rect?

5 A Yes, sir.

6 Q And you sent it on May 16th and he re-
7 ceived it on May 21st, is that correct?

8 A That is correct. He did sign for it.

9 Q All right. Have you had any response to
10 date from him on that?

11 A No, sir, we have not.

12 Q Okay. Let's go on to packet number six,
13 Exhibit Number Six, which deals with the third leg of the
14 five people that inherited from the M. Belle Christy Estate,
15 a woman by the name of Ethel Harriger.

16 If you would, please relate how this in-
17 terest has been -- how you've attempted to find the relation
18 and proper address for this interest.

19 A Okay. First of all, Ethel Harriger was
20 listed in M. Belle Christy's Estate as being one of the five
21 brothers and sisters; therefore we had 1/10th mineral inter-
22 est passed into Ethel Harriger.

23 We made an attempt to locate Ethel Harri-
24 ger only to learn that she had passed away. We, or the
25 broker, Steve Jordan, was able to get a copy of a holo-

1 graphic will was not probated, entered into the county (not
2 understood.) Therefore, due -- since the holographic will
3 was never probated under the laws of distribution or I
4 should say for the State of New Mexico's statute on
5 intestacy (sic), we determined that when Ethel Harriger died
6 she was a widow and she only had two sons. The sons were
7 Robert and Miles Harriger and we were able to contact both
8 Robert and Miles. We have addresses for both of them.

9 Robert, who owns half the interest of her
10 1/10th mineral interest, being 1/20th, has leased to Amoco
11 Production Company.

12 Miles Harriger was contacted by phone and
13 stated that he was not interested in leasing; therefore we
14 thought it was prudent to send him a letter of options ask-
15 ing him to join or lease to Amoco.

16 Q So you did that?

17 A Yes, sir.

18 Q And that was contained within your letter
19 of August 22nd, 1985?

20 A That is correct.

21 Q And you gave -- offered to him the same
22 four options that you previously stated you offered to the
23 other heirs?

24 A That is correct.

25 Q And it contained an AFE on the back of

1 it.

2 A Yes, sir.

3 Q And shows by certified mail to have been
4 sent to him on September 5th, '85, and received by him on
5 September 7th, '85?

6 A Yes, sir.

7 Q Then later on you sent him notice of this
8 hearing, did you not?

9 A Yes, sir, we did.

10 Q And you sent this notice of hearing to
11 the same address, did you not?

12 A Yes, sir.

13 Q And dated May 14th, 1986, telling him
14 about the hearing we're having today, and you mailed that to
15 him by certified mail on May 16th?

16 A Yes, sir, that's correct.

17 Q And it was received by him on May 19th,
18 1986.

19 A Yes, sir.

20 Q And from what you've been able to ascer-
21 tain, whether or not the holographic will was valid or
22 whether it was not, probably the same two people would have
23 been involved in inheriting that estate, is that correct?

24 A Yes, sir, that is true.

25 Q Now so far the Exhibits One through Six,

1 inclusive, have dealt only with Section 13 in Case Number
2 8920, is that correct?

3 A That is correct.

4 Q While the following Exhibits Seven to
5 Nine, inclusive, deal only with Section 1 in Docket 8918, is
6 that correct?

7 A Yes, sir.

8 Q All right, let's go to your Exhibit Num-
9 ber Seven and tell us what is shown on this exhibit.

10 A Okay. Exhibit Number Seven is a blown-up
11 plat of the Township 19 North, 35 East, with Section 1 high-
12 lighted, and the lower portion of the map is a blow-up of
13 that specific Section 1 broken up by tracts, listing the
14 mineral owners and their respective interests.

15 Q Okay, go on to your Exhibit Number Two.
16 What's this?

17 A Exhibit Number Two --

18 Q Excuse me, Exhibit Number Eight. Excuse
19 me.

20 A Exhibit Number Eight is a breakdown of
21 ownership by -- for Section 1, by tract, and it lists ac-
22 reage description, the mineral owner, the gross acres, their
23 interest owned, the net acres, and the status of the mineral
24 interest.

25 Q All right, and it looks like two unleased

1 interests, John Halford Lowry and Violet Krolle, is that
2 right?

3 A That is correct.

4 Q All right, and then you've got your Exhi-
5 bit Number Nine, which is a packet dealing with the Estate
6 of Elsie Talbot (sic), is that correct?

7 A That is correct.

8 Q And if you would, just briefly state what
9 happened to the -- she at one time apparently owned all the
10 minerals and then conveyed out of a -- 3/4ths of the miner-
11 als to someone who has leased to Amoco?

12 A That is correct.

13 Q But then the other 1/4th, she died and
14 left that by will to three parties.

15 Would you pick it up from there and go
16 ahead with what you have in the packet pertaining to that
17 interest?

18 A Yes, pursuant to the will and codicil,
19 which was probated in Los Angeles, I believe, Elsie Talbot
20 left three heirs, Violet Krolle, John Halford Lowry, and
21 Jean Getz. Each of them were to share equally in her estate
22 and since she (not clearly understood) of a quarter mineral
23 interest at the time of her death, each of them have a 1/12th
24 mineral interest.

25 Further, we were able to locate a Jean

1 Getz pursuant to the address that was listed in the will and
2 we leased, or Jean Getz, who owns the 1/12th mineral inter-
3 est, leased to Amoco Production Company, with the signatory
4 Paul Carmelo to that lease.

5 In an attempt to locate the other two in-
6 dividuals, Violet Krolle and John Halford Lowry, we had the
7 address listed in the will and we had contacted the direc-
8 tory assistance for Pasadena, California, and Los Angeles,
9 California, trying to get information for a telephone number
10 of these people and there was no address nor telephone num-
11 ber for either individual.

12 We thought that it would be prudent,
13 since Paul Carmelo, who is a lessor of Amoco and also inher-
14 ited under this will and codicil, that since he was under
15 the same will, that we contact him and Jean Getz to shed a
16 little light on Violet Krolle and John Halford Lowry.

17 Paul Carmelo was kind enough to drive to
18 the last known addresses of the two individuals and he said
19 that there was a commercial structure, commercial building
20 at the address now and he also made an attempt to get back
21 in touch with a number of old friends of Jean Getz and none
22 of them knew the whereabouts of Violet Krolle or John Hal-
23 ford Lowry.

24 Q So you then wrote a letter of option, did
25 you not, to Mr. John Halford Lowry?

1 A That is correct.

2 Q At his last known address, which is 315
3 South Wilson Avenue, Pasadena 5, California.

4 A That is correct.

5 Q It is an option letter dated May 5th,
6 1986, in which you gave him the same four options you've
7 given everyone else in this -- in this forced pooling ac-
8 tion, is that correct?

9 A Yes.

10 Q And that, when was that mailed to him?

11 A That was mailed on May 7th, 1986.

12 Q And was it returned undelivered?

13 A Yes, sir, it was.

14 Q What was the reason?

15 A Let's see here. No such street number.

16 Q Okay. Then you sent him by letter of May
17 14th, 1986, at the same address you sent him a notice of
18 this hearing, is that correct?

19 A Yes, sir.

20 Q And you sent it by certified mail?

21 A That is correct.

22 Q Dated May 16th, 1986. I mean that was
23 when it was mailed, was --

24 A Yes.

25 Q -- it not?

1 A Yes, sir.

2 Q Was it also returned as was the letter
3 option?

4 A Yes, sir, it was.

5 Q Okay. Now, with regard to Violet Krolle,
6 the other interest owner and devisee of Elsie Talbot, by
7 letter of May 5th, 1986 you sent her the option letter with
8 the four options in it, did you not?

9 A Yes, sir.

10 Q And it was sent by certified mail on May
11 7th, '86 and delivered on May 10th, '86, is that correct?

12 A Yes, sir.

13 Q And then you also sent her at the same
14 address a notice of this hearing.

15 A That is correct.

16 Q By certified mail, and that was -- I
17 can't read on mine, when was the letter mailed?

18 A The letter was mailed May 16th, 1986.

19 Q And it was returned on May 27th, '86?

20 A Yes.

21 Q Okay. Undelivered.

22 A Yes, it was May 19th of '86. The second
23 notice was May 27th of '86 and following return 6-4 of '86.

24 Q Okay. Do you believe a good faith, dili-
25 gent effort has been made to find the correct addresses for

1 Violet Krolle and John Halford Lowry?

2 A Yes, sir, I do.

3 Q And do you believe that -- that a good
4 faith and diligent effort has been made to find all of the
5 parties whom you think may own an interest in any of the
6 properties subject to either of the applications which are
7 before this Commission in a consolidation now?

8 A Yes, I do.

9 Q All right.

10 MR. MOTE: I will offer Exhi-
11 bits One through Nine into evidence and tender the witness
12 for examination.

13 MR. CATANACH: Exhibits One
14 through Nine will be admitted into evidence, and I have no
15 questions of the witness.

16 MR. MOTE: Okay, we will next
17 call Mr. Scheffler.

18
19 STEPHEN P. SCHEFFLER,
20 being called as a witness and being previously sworn upon
21 his oath, testified as follows, to-wit:

22

23 DIRECT EXAMINATION

24 BY MR. MOTE:

25 Q Please state your name, by whom employed,

1 in what capacity and location?

2 A Stephen Paul Scheffler. I'm employed by
3 Amoco Production Company as a Senior Staff Petroleum
4 Engineer.

5 Q And have you already testified today in
6 other proceedings before this Commission?

7 A Yes, sir.

8 Q All right. You'll be asked to testify
9 concerning certain exhibits. Were these exhibits either
10 prepared by you or under your supervision and direction?

11 A Yes, sir, they were prepared by me.

12 Q Okay, turn to your Exhibit Number Ten and
13 explain to the examiner what's shown by this exhibit.

14 A Exhibit Number Ten is an actual well cost
15 data sheet for Bravo Dome Carbon Dioxide Gas Unit 1934-131-
16 B. On this well cost data sheet I've detailed specific
17 costs attributable to the well during drilling and comple-
18 tion. I've shown the total cost at the bottom of this exhi-
19 bit, that cost being \$230,720.

20 Q Do you consider that to be reasonable in
21 this area at this time?

22 A Yes, sir.

23 Q And when was this well completed?

24 A This well was completed in February of
25 1981.

1 Q All right, let's go to Exhibit Number Ten
2 -- Eleven, excuse me. What's shown by this exhibit?

3 A This again is an actual well cost data
4 sheet for Well 1935-011-K, Bravo Dome Carbon Dioxide Gas
5 Unit well. I've shown on this exhibit again a detailed
6 breakout of actual costs attributable to the drilling and
7 completion of the well.

8 At the bottom of the exhibit is the ac-
9 tual cost of the well, which is \$306,000 -- \$306,280.

10 Q This is a well that was completed in
11 Docket Number 8918, is that correct?

12 A Yes, sir.

13 Q And do you consider the costs expressed
14 on this exhibit to be reasonable at the time that this well
15 was drilled and completed?

16 A Yes, sir.

17 Q And when was this well completed?

18 A This was a well also that was completed
19 in 1981. The date was July of 1981.

20 Q All right, let's turn to your Exhibit
21 Number -- wait a minute.

22 Okay, would you please turn to your Ex-
23 hibit Number Twelve and tell us what is shown by this exhi-
24 bit?

25 A Yes, sir, these are recommended provisions

1 that we are making with regard to the wells in section -- or
2 to the sections -- documented interests in Section 13 of 19
3 North, 34 East, and Section 1 of 19 North, 35 East.

4 I've identified six provisions here, the
5 first of which is that the (not understood) share of the ac-
6 tual well cost attributable to the nonconsenting working in-
7 terest owner be withheld from production.

8 Secondly, that the risk charge involved
9 in drilling the wells that we've reviewed here be 200 per-
10 cent of the pro rata share of the actual well costs
11 attributable to the nonconsenting working interest owner;
12 that the fixed charges that are reasonable for supervision
13 be \$4700 per month while drilling per well and \$470 per
14 month while producing per well; that the pro rate share of
15 expenditures for operating the well attributable to the non-
16 consenting working interest owner be withheld from produc-
17 tion and that any unsevered mineral interests shall be con-
18 sidered a 7/8ths working interest and a 1/8th royalty in-
19 terest for the purpose of allocating costs and charges, and
20 that any well costs or charges which are to be paid out of
21 production shall be withheld only from the working interest
22 share and no costs or charges shall be withheld from produc-
23 tion attributable to royalty interest.

24 Q And regardless of when these wells were
25 drilled and regardless of when they went on production, is

1 Amoco's intent to pay the interests pooled by this proceed
2 ing since first run?

3 A Yes, sir, that's Amoco's intent.

4 Q And it would be to each separate, dis-
5 crete section.

6 A That's correct.

7 Q With the interest in that section and
8 that section alone being entitled to production from those
9 wells that are force pooled by this action.

10 A Yes, sir.

11 Q As to the royalty interest, that amount
12 of money from first production will be paid without deduc-
13 tion but as to working interest it will be paid after deduc-
14 tion of authorized drilling and risk charge as to the work-
15 ing interest.

16 A Yes, sir.

17 Q All right, in your opinion, Mr. Schef-
18 fler, will the granting of this application avoid the drill-
19 ling of unnecessary wells, protect correlative rights, and
20 prevent waste?

21 A Yes, sir, it will.

22 Q In your opinion are the terms and condi-
23 tions which Amoco has proposed for the pooling of acreage in
24 each section just and reasonable?

25 A Yes.

1 Q Are you asking the Division to pool only
2 the CO2 rights in the Tubb formation in each of the sec-
3 tions?

4 A Yes, sir.

5 Q All right, in your opinion will the terms
6 and conditions, if implemented by a compulsory order, afford
7 the owners of each section the opportunity to recover or re-
8 ceive without unnecessary expense his just and fair share of
9 the CO2 in the Tubb formation under each section?

10 A Yes, sir.

11 Q Are you familiar with the notice provi-
12 sions of NMOCD Rule 1207?

13 A Yes, sir.

14 Q In your opinion have the notice provi-
15 sions of Rule 1207 been complied with?

16 A Yes.

17 Q In your opinion has a good faith, dili-
18 gent effort be conducted to find the correct addresses of
19 all persons entitled to receive notice and that notice was
20 given at that correct address as provided by Rule 1207?

21 A Yes, sir.

22 Q Are you asking the Division to pool all
23 of the mineral interests in the CO2 rights in the Tubb for-
24 mation in each of the sections subject to the application in
25 -- with this consolidated hearing?

1 A Yes, sir.

2 MR. MOTE: We offer Exhibits
3 whatever they were, Ten, Eleven, and Twelve into evidence,
4 and that completes our case, Mr. Examiner.

5 MR. CATANACH: Exhibits Ten,
6 Eleven, and Twelve will be admitted into evidence.

7 I have no further questions of
8 the witness. He may be excused.

9 There being nothing further in
10 Case 8918 and 8920, they will be taken under advisement.

11

12

(Hearing concluded.)

13

14

15

16

17

18

19

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 the foregoing Transcript of Hearing before the Oil
Conservation Division (Commission) 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. 8918, 8920
heard by me on June 12, 1986.

David H. Catamb, Examiner
Oil Conservation Division