

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

25 May 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Foran Oil Company for CASE
compulsory pooling, Lea County, New 9391
Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Charles E. Roybal
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

1
2 MR. STOGNER: Let's call next
3 Case Number 9391.

4 MR. ROYBAL: Case 9391. Appli-
5 cation of Foran Oil Company for compulsory pooling, Lea
6 County, New Mexico.

7 MR. STOGNER: At the appli-
8 cant's request Case Number 9391 will be continued to the
9 Examiner's hearing scheduled for June 8th, 1988.

10
11 (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 (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. 9391,
heard by me on 25 May 1988.

Michael E. Boyer, Examiner
Oil Conservation Division

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

8 June 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Foran Oil Company for CASE
compulsory pooling, Lea County, New 9391
Mexico.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Robert G. Stovall
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico

For the Applicant:

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JOE A. YOUNG

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1 MR. CATANACH: Call next Case
2 Number 9391.

3 MR. STOVALL: Application of
4 Foran Oil Company for compulsory pooling, Lea County, New
5 Mexico.

6 MR. CATANACH: Are there
7 appearances in this case?

8 MR. KELLAHIN: If the Examiner
9 please, I'm Tom Kellahin of Santa Fe, New Mexico, appear-
10 ing on behalf of the applicant. We have two witnesses to
11 present.

12 MR. CATANACH: Any other ap-
13 pearances?

14 Will the witnesses please
15 stand and be sworn in?

16 (Witnesses sworn.)

17
18 RANDY CRENSHAW,
19 being called as a witness and being duly sworn upon his
20 oath, testified as follows, to-wit:

21
22 DIRECT EXAMINATION

23 BY MR. KELLAHIN:

24 Q Mr. Crenshaw, for the record would you
25 please state your name?

1 A My name is Randy Crenshaw.

2 Q That's C-R-E-N-S-H-A-W.

3 A Right.

4 Q Mr. Crenshaw, have you previously
5 testified before the Division?

6 A No, I have not.

7 Q You're a petroleum landman, are you
8 not, sir?

9 A That's correct.

10 Q Do you have any formal education as a
11 petroleum landman?

12 A Not as a petroleum landman; not a formal
13 education. I have a BA in economics and MBA from Tulane
14 University. I worked for the Hunt Companies for a little
15 over six years.

16 Q For the Hunt Companies and what other
17 companies have you been employed as a landman?

18 A Foran Oil Company. I'm currently em-
19 ployed as a consultant.

20 Q You've gained your experience then as a
21 petroleum landman operating on a day-to-day basis in prac-
22 tical oil and gas matters?

23 A That's correct.

24 Q Have you made a study of the land title
25 information surrounding this particular information sur-

1 rounding this particular application for a forced pooling
2 of an 80-acre tract in the Northeast Lovington Pennsylv-
3 vanian Pool in Lea County, New Mexico?

4 A Yes, I have.

5 Q Did you assist Mr. Foran in the prepar-
6 ation of the companion case that was heard by the Commis-
7 sion on a previous hearing docket, which was Case 9290,
8 resulted in Order 8622, and refers to the west half of the
9 southwest quarter of Section 8?

10 A Yes, I did.

11 Q Let me direct your attention, Mr.
12 Crenshaw, to Exhibit Number One and have you show me where
13 the current -- the current 80-acre tract is that you're
14 seeking the pooling?

15 A It is colored in yellow on Exhibit One.

16 Q Where is the acreage involved in the
17 case I just referenced to that resulted in Order R-8622?

18 A It is adjacent to the acreage colored in
19 yellow on this Exhibit One and it is a stand-up 80-acre
20 unit to the east.

21 Q It would be in Section 8, then, to the
22 east.

23 A That's correct, the west half of the
24 southwest quarter of Section 8, Township 16 South, Range 37
25 East.

1 Q Have you been one of the landmen that
2 Foran Oil Company has used in attempt to reach a voluntary
3 agreement with all the working interest owners?

4 A That's correct.

5 MR. KELLAHIN: At this time,
6 Mr. Examiner, we tender Mr. Crenshaw as an expert petro-
7 leum landman.

8 MR. CATANACH: He is so
9 qualified.

10 Q We've referred to the 80-acre tract
11 here, Mr. Crenshaw. Let me turn to Exhibit Number Two and
12 have you identify that for me.

13 A That is the same acreage as is presented
14 on Exhibit One, the acreage colored, outlined in yellow.

15 Q The proposed location will be a standard
16 location in the north 40 of that 80 acres?

17 A That's correct.

18 Q All right, sir, let's go to Exhibit
19 Number Three.

20 What have you prepared when you pre-
21 pared Exhibit Number Three?

22 A This represents 100 percent of the
23 owners, 100 percent of the owners, in the 80-acre drill
24 site.

25 Q Okay.

1 A The status on the right would be a an-
2 ticipated status.

3 Q We'll come back to that in just a
4 moment.

5 A Okay.

6 Q Let's go to Exhibit Four now and have
7 you identify Exhibit Number Four.

8 A Exhibit Number Four represents the
9 parties who had -- who were uncommitted at the time this
10 exhibit was prepared.

11 Q And this was prepared for filing of the
12 forced pooling application for this case.

13 A That's correct.

14 Q Let's take lists on Exhibit Number Three
15 and have you identify by the number on the far left margin
16 --

17 A Uh-huh.

18 Q -- those interest owners that as of
19 today's hearing have not committed to Foran Oil Company in
20 writing, either by joinder, farmout, or lease.

21 A Okay. Owner Number 9, Nitrom Enter-
22 prises.

23 Q Okay.

24 A Owner Number 7, Jeannie Van Zant San-
25 ders.

1 Owner Number 8, J. H. Van Zant the 2nd.

2 Owner Number 13, E. B. White, Jr.

3 And Owner Number 14, Harry A. Miller,
4 Jr.

5 Owner Number 15, Harry A. Miller, III.

6 And Owner Number 16, Margaret Ann Miller
7 Carico.

8 Q On Exhibit Number Three, you said it was
9 the anticipated status?

10 A That's correct.

11 Q What does that mean?

12 A That means that many of these people
13 have elected to wait until the outcome of the well to be
14 drilled on Section 8 before committing their interest for
15 this proposed well in Section 7.

16 Q As to the other interest, then, that
17 have not been identified, all those parties have agreed to
18 participate, farmout, lease, in some voluntary fashion with
19 Foran Oil Company.

20 A That's correct.

21 Q And the balance of the names, then, re-
22 present those parties that you have communicated with but
23 at this point have not committed in writing in some fashion
24 for a voluntary formation of an 80-acre unit.

25 Q That's correct.

1 Q Let's turn now to Exhibit Four. This
2 shows the various combinations of those parties to be
3 pooled? Of -- of their percentage interests?

4 A Yes.

5 Q And when we look on this exhibit, we're
6 looking at Numbers 3 through 7?

7 A That's correct.

8 Q Those represent parties that you're
9 seeking to pool?

10 A That's correct.

11 Q When we look at the documentation of
12 correspondence, Exhibits Five through Thirteen, what are we
13 seeing there, Mr. Crenshaw?

14 A These are letters that we mailed to
15 these parties in question, proposing that they join the
16 well or lease to us.

17 Q And is it a correct summary that as to
18 those interests that you've already identified, you do not
19 yet have written agreements with those parties?

20 A That's correct.

21 MR. KELLAHIN: Exhibit Number
22 Fourteen, Mr. Examiner, represents the certification of
23 mailing from our office of Notice of Hearing, certified
24 mail, to these parties.

25 Q When you sent the initial correspondence

1 to all these interest owners, Mr. Crenshaw, did you attach
2 a copy of what is marked as Exhibit Number 15?

3 A Yes, I did.

4 Q It should be an AFE?

5 A Yes, I did.

6 Q And to the best of your knowledge, is
7 this AFE correct and accurate for this well?

8 A Yes, it is.

9 Q Is this a similar AFE to the one that
10 was used in the prior forced pooling case that resulted in
11 Order R-8622?

12 A Yes.

13 Q Let me direct your attention now to
14 Exhibit Number Sixteen. Have you found that?

15 A Right here.

16 Q Yes, sir, what is that?

17 A This will be the Commission order
18 covering the adjacent acreage in Section 8 for the -- what
19 we call the Caudill 8 No. 2 proposed well.

20 Q In that order the Division utilized some
21 overhead rates on a producing well and a drilling well. I
22 believe they utilized \$5000 a month drilling well rate and
23 a \$500 a month producing well rate?

24 A That's correct.

25 Q Do you have an opinion, Mr. Crenshaw, as

1 to what the drilling well and producing well rates that
2 ought to apply to the subject well?

3 A I think they should be the same.

4 Q Finally, attached to the package of
5 exhibits is an Exhibit Number Seventeen. These are the
6 interest owners that were involved in the prior pooling
7 case that we just referred to?

8 Have you been dealing with some of the
9 same parties in the current case as you did with the prior
10 case?

11 A Yes.

12 Q And have you had to pool these same
13 parties, or certain of these same parties?

14 A Yes.

15 Q In the prior case? Okay.

16 Mr. Crenshaw, do you have an opinion as
17 to whether or not you've exhausted all efforts on a good
18 faith basis to reach a voluntary agreement with all the
19 working interest owners?

20 A Yes, I do, and I have.

21 MR. KELLAHIN: That concludes
22 our examination of Mr. Crenshaw.

23 We'd move the introduction of
24 his Exhibits One through Seventeen.

25 MR. CATANACH: The Exhibits

1 One through Seventeen will be admitted into evidence.

2

3

CROSS EXAMINATION

4

BY MR. CATANACH:

5

Q

Mr. Crenshaw, of the -- of the parties that you are pooling in this case, have you actually had contact with them? You were able to locate all of them?

8

A

Yes.

9

Q

You have had contact with them, then. You're just at a stalemate as -- as to an agreement with these parties.

11

12

A

At this time, yes.

13

Q

Do you anticipate any more -- any more of these people leasing or joining?

14

15

A

We hope so.

16

Q

You don't have any verbal commitments from anybody right now?

17

18

A

Much of it hinges on the outcome of the initial well.

19

20

Q

And that well is currently drilling?

21

A

No, it is subject -- it is pending.

22

Q

Pending.

23

A

It's scheduled to be drilled soon.

24

Q

Will that well be drilled first?

25

A

Yes.

1 Q The AFE submitted as Exhibit Fifteen, is
2 that in line with the AFE submitted in the previous case?

3 A I'd say it was, uh-huh.

4 MR. CATANACH: That's all the
5 questions I have. The witness may be excused.

6 MR. KELLAHIN: The next wit-
7 ness is Mr. Joe Young.

8
9 JOE A. YOUNG,
10 being called as a witness and being duly sworn upon his
11 oath, testified as follows, to-wit:

12
13 DIRECT EXAMINATION

14 BY MR. KELLAHIN:

15 Q Mr. Young, for the record would you
16 please state your name and occupation?

17 A Joe A. Young, employed as Manager of
18 Acquisitions for Foran Oil Company.

19 Q Mr. Young, do you have a degree in geo-
20 logy or engineering?

21 A Yes, sir, I have a degree in petroleum
22 engineering that I received from Texas A&M University.

23 Q In what year, sir?

24 A In 1982.

25 Q Subsequent to graduation have you been

1 employed as a petroleum engineer?

2 A Yes, sir, I worked six years for Mesa
3 Petroleum Company and Mesa Limited Partnership, until I
4 recently joined Foran.

5 Q Have you made a study of the engineer-
6 ing and geology surrounding this particular location and
7 this spacing unit?

8 A Yes, sir.

9 MR. KELLAHIN: We tender Mr.
10 Young as an expert petroleum engineer.

11 MR. CATANACH: He is so
12 qualified.

13 Q Mr. Young, let me take a moment and have
14 you identify for us Foran Exhibit Number Eighteen.

15 If you'll identify for the record, Mr.
16 Young, where the proposed location is and how you have
17 shown the spacing unit

18 A The spacing unit is colored in yellow.
19 It's the same one referred to earlier by Mr. Crenshaw in
20 Section 7.

21 Q And the arrow and the caption show the
22 proposed location?

23 A Yes.

24 Q As a double circle?

25 A Yes. The proposed location is in the

1 northern -- northern quarter -- the northeast quarter of
2 the southeast quarter, Section 7.

3 Q What is the primary formation in which
4 this well is targeted?

5 A The primary objective is the Strawn.

6 Q And how is the structure map prepared?

7 A The structure map is prepared by a con-
8 sulting geologist that works for our company. It was pre-
9 pared by interpreting the data that has been seen in the
10 wells in the area. This map is a structure map on the top
11 of the Strawn B and that's what he has mapped by taking the
12 tops off the log readings in these various wells.

13 Q Have you also utilized this map as an
14 engineer to determine what is the likelihood of commercial
15 production within this spacing unit?

16 A Yes, sir, we have.

17 Q And you've done that by comparing the
18 quality of production of various wells in the area?

19 A Yes, sir.

20 Q Do you have an opinion, Mr. Young, as to
21 what would, in your opinion, be a reasonable risk factor to
22 assess against the nonconsenting working interest owners in
23 this well?

24 A Yes, sir, I do. I believe it's a 200
25 percent penalty.

1 Q Would you describe for us your reasons
2 for that opinion?

3 A As you can see from the map that you
4 have, as you move immediately to the southeast in Section
5 8, the nearest location is a dry hole.

6 As you go to the east northeast, also in
7 Section 8, from the proposed location, you'll see another
8 dry hole. That's the well that we just recently drilled,
9 our Well Caudill 1-8.

10 There's no production in the Strawn to
11 the north. Then as you swing around to the northwest
12 you'll see that there's a dry hole in the Strawn. Then the
13 nearest production you have is way down in the southern
14 portion of Section 7, that well in Section 7 --

15 Q The green well, that's color coded
16 green?

17 A Yes, sir, it's coded green as a Strawn
18 producer. It has produced from the Strawn.

19 Q What's the quality of that well?

20 A That well was not a commercial success,
21 although it has produced from the Strawn. The cumulative
22 production from it is about 25,000 barrels. The current
23 rate is well below 10 barrels a day.

24 Directly south of that location is
25 another well that's colored green in Section 18. It would

1 be in C of 18.

2 That well has a cumulative production of
3 101,000 barrels.

4 These cumulative production figures are
5 as of the end of 1987, December, 1987.

6 And the current rate on that well is
7 down to almost one barrel a day.

8 Then as you move directly east in Sec-
9 tion 18, there's another American (unclear) Well. It's
10 produced 145,000 barrels. The current rate on it is a
11 little bit better than 10 barrels a day.

12 None of these wells have been very
13 spectacular wells in the Strawn formation. You have one
14 well that was uneconomical, you would not re-drill if you
15 knew you were going to get those reserves. Then you have
16 two other wells that are probably marginal.

17 Q Is this spacing unit subject to any
18 special pool rules of any Strawn Pool in the area?

19 A The rules are the 80-acre spacing units?

20 Q Yes, sir.

21 A And this is at a standard location in
22 a standard unit.

23 Q And what is that Strawn Pool? Is it
24 identified by a particular name?

25 A It's the Northeast Lovington Penn Field.

1 Q Do you know where the current horizon-
2 tal boundaries are of that pool relation to your spacing
3 unit?

4 A No, sir, I do not.

5 Q You don't know whether or not you're
6 within the horizontal boundaries or simply within a mile of
7 those boundaries?

8 A No, sir, I do not. In looking at the
9 production figures in this area, these wells, including the
10 well in Section 6, which is due north of our location in
11 the section up there, they both -- the production from
12 those wells are all in the Lovington Penn, so I would
13 assume --

14 Q All right.

15 A -- but I do not know.

16 Q So when we look at the production in 18
17 and that poor producer in the southwest of 7, it's your
18 understanding that those are part of the Lovington Penn
19 Pool?

20 A Yes, sir.

21 Q Northeast Lovington Penn.

22 A Yes, sir.

23 Q Do you have anything further about the
24 display?

25 A No, sir.

1 MR. KELLAHIN: That concludes
2 our examination of Mr. Young.

3 We would move the introduction
4 of Exhibit Number Eighteen.

5 MR. CATANACH: Exhibit Number
6 Eighteen will be admitted as evidence.

7
8 CROSS EXAMINATION

9 BY MR. CATANACH:

10 Q Mr. Young, what exactly is the well
11 location?

12 A 660 from the east line, 1980 from the
13 south line, is what we currently have as the proposed
14 location.

15 Q Okay, as I understand it, you've got two
16 -- two dry holes in Section 8.

17 A Yes, there are two dry holes in the
18 western half of Section 8.

19 Q You've got on in Section 7 to the
20 northwest.

21 A Yes, sir. The location you see spotted
22 in the southwest of 8 is the Caudill 2-8 that was referred
23 to earlier in the other forced pooling order.

24 Q That's the location directly east of
25 your proposed location?

1 Q How long will that take to drill?

2 A Probably be able to drill the well and
3 depending on the results of it, but the completion, 30, 35,
4 maybe 40 days, depending on the completion.

5 Q Will the -- will the well in Section 7
6 be commenced after you complete the well in Section 8?

7 A Yes, sir.

8 Q (Inaudible). What I'm getting at, is
9 there's a 30 day -- I mean a 90-day drilling provision in
10 our compulsory pooling orders. I was curious to see if you
11 would be able to meet that deadline.

12 A Yes, sir, we have to.

13 Q Okay.

14 MR. CATANACH: I believe
15 that's all the questions I have.

16 The witness may be excused.

17 Is there anything further in
18 Case 9391?

19 MR. KELLAHIN: No.

20 MR. CATANACH: If not, it will
21 be taken under advisement.

22 (Hearing concluded.)

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 (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. 9381,
heard by me on Jan 8 19 88.

David R. Catant, Examiner
Oil Conservation Division