

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

15 October 1987

COMMISSION HEARING

IN THE MATTER OF:

Application of Mesa Grande, Ltd. for CASE
an order pooling all mineral inter- 9225
ests in the Gavilan-Mancos Oil Pool
underlying a certain 640-acre tract
of land in Rio Arriba County, New
Mexico;
and
For compulsory pooling and a non- CASE
standard oil proration unit, Rio 9236
Arriba County, New Mexico.

BEFORE: William J. LeMay, Chairman
Erling A. Brostuen, Commissioner
William R. Humphries, Commissioner

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 Mesa Grande Ltd. & Mesa Grande Resources Inc. & Mallon Oil Com- pany:	Owen Lopez Attorney at Law HINKLE LAW FIRM P. O. Box 2068 Santa Fe, New Mexico 87504
For Mallon Oil Company:	Frank Douglass Attorney at Law SCOTT, DOUGLASS & LUTON First City Bank Bldg. Austin, Texas 78701

A P P E A R A N C E S C O N T ' D

For BMG Drilling Corp.
& Dugan Production Co.
& Sun:

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Attorney at Law
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Santa Fe, New Mexico 87501

For Amoco Production Co.:

W. Perry Pearce
Attorney at Law
MONTGOMERY & ANDREWS
P. O. Box 2307
Santa Fe, New Mexico 87504
and
Kent J. Lund
Attorney at Law
Amoco Production Company
P. O. Box 800
Denver, Colorado 80201

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2 REPORTER'S NOTE: The following first statements by Mr.
3 Lopez and Mr. Lemay are included in the transcript in the
4 prior case.
5

6 MR. LOPEZ: While I'm on my
7 feet I might suggest to the Commissioner that also on behalf
8 of the two Mesa Grande clients I'm representing, that we
9 would request Cases 9225 and 9236 be continued to the next
10 regularly scheduled Commission hearing in November.

11 MR. LEMAY: Thank you, Mr.
12 Lopez. I think we can deal with 9225 and 9226 at this time.

13 9225 is the application of Mesa
14 Grande Limited for an order pooling all mineral interests in
15 the Gavilan-Mancos Oil Pool underlying a certain 640-acre
16 tract of land in Rio Arriba County, New Mexico.

17 Case Number 9236 is the appli-
18 cation of Mesa Grande Resources, Inc. for compulsory pooling
19 and a nonstandard oil proration unit, Rio Arriba County, New
20 Mexico.

21 Without objection those two
22 cases -- did you ask for their dismissal or extension?

23 MR. LOPEZ: No, I extended to
24 the next hearing of the Commission.

25 MR. LEMAY: Without objection

1 those two cases will be extended to the November date for
2 the Oil Conservation Commission hearing.

3 It will be so done.
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5 (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 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

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

6
7
8 19 November 1981

9 COMMISSION HEARING

10 IN THE MATTER OF:

11 Application of Mesa Grande, Ltd. for CASE
12 an order pooling all mineral interests 9225
13 in the Gavilan-Mancos Oil Pool under-
14 lying a certain 640-acre tract of land
15 in Rio Arriba County, New Mexico.

16 and
17 Application of Mesa Grande Resources, CASE
18 Inc. for compulsory pooling and a non- 9236
19 standard oil proration unit, Rio Arri-
20 ba County, New Mexico.

21 BEFORE: William J. Lemay, Chairman
22 Erling A. Brostuen, Commissioner
23 William R. Humphries, Commissioner

24 TRANSCRIPT OF HEARING

25 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 Mesa Grande: Owen M. Lopez
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HINKLE LAW FIRM
P. O. Box 2068
Santa Fe, New Mexico 87504-2068

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A P P E A R A N C E S

For Sun E&P Co., Dugan
Production:

W. Thomas Kellahin
Attorney at Law
KELLAHIN, KELLAHIN & AUBREY
P. O. Box 2265
Santa Fe, New Mexico 87501-2265

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3 MR. LEMAY: We'll call the fol-
4 lowing two cases, Cases 9225 and 9236.

5 Application of Mesa Grande for
6 an order pooling all mineral interests in the Gavilan-Mancos
7 Oil Pool and 9236, application of Mesa Grande Resources for
8 compulsory pooling, nonstandard oil proration unit, Rio Ar-
riba County.

9 Is there a motion to continue
10 these cases until the December 17th hearing?

11 Mr. Kellahin and Mr. Lopez?

12 MR. KELLAHIN: Mr. Chairman, we
13 have filed a motion with regards to those forced pooling
14 cases that I am prepared to discuss and lay before the Com-
15 mission for consideration as to what guidance you'll give us
16 in advancing those cases. I don't propose to present any
witnesses today, if that's acceptable.

17 MR. LEMAY: Mr. Kellahin, it
18 is. I think what we discussed was off the record we would
19 discuss some of the parameters involved in these cases and
20 what we had brought up; however, I just wanted an extension
21 date for these cases at this point. We could dismiss Sally
and go on informally from there.

22 Is that acceptable?

23 MR. KELLAHIN: I've inquired of
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2 my witnesses their availability the week before Christmas.
3 I can twist some arms and get them here. I would prefer to
4 have it in January, if possible. We're at your mercy and
5 we'll do what you ask us to do, but the December 17th hear-
6 ing is most difficult for my people.

7 MR. HUMPHRIES: Can I help that
8 out?

9 MR. LEMAY: Mr. Commissioner,
10 please do.

11 MR. HUMPHRIES: That's the
12 second day of the grazing fee hearings and although I'm sure
13 they'd both be enhanced by hearing at the same time, I'm
14 sort of going to be consumed on the 17th. I forgot to tell
15 you that.

16 MR. LEMAY: Well, with -- if I
17 could retract a little bit on the Curtis Little hearing, if
18 we can extend that to the January docket, is that acceptable
19 with you, Mr. Stovall?

20 MR. STOVALL: I don't think we
21 have any problem with that.

22 MR. LEMAY: Okay, then we will
23 do the same with these, with Cases 9225 and 36, if that's
24 acceptable with Mr. Lopez to extend these cases to the Jan-
25 uary hearing and then after we go off the record, discuss a
little bit the parameters of what we're going to be hearing?

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2 MR. LOPEZ: Under the circum-
3 stances, of course I agree.

4 MR. KELLAHIN: Mr. Chairman, if
5 I am to make a formal presentation of my motion in the case
6 I would very much like to have the record preserved on that.
7 If you would like to simply discuss informally what the is-
8 sues are, I'm happy to do that but at some point I would
9 like to put that motion on the record.

10 MR. LEMAY: Okay. I need to
11 make a call. Let's take about five minutes here. Then we
12 can come back and discuss this thing informally.

13 (Thereupon a recess was taken followed by a discussion off
14 the record.)

15 MR. LEMAY: This will be a
16 hearing of Case 9225 and 9236.

17 MR. LOPEZ: Mr. Chairman, my
18 name is Owen Lopez with the Hinkle Law Firm in Santa Fe, New
19 Mexico, appearing on behalf of Mesa Grande, Limited, and
20 Mesa Grande Resources, Inc.

21 MR. KELLAHIN: Mr. Chairman,
22 I'm Tom Kellahin of the Santa Fe law firm of Kellahin,
23 Kellahin & Aubrey, appearing on behalf of Sun Exploration
24 and Production Company and Dugan Production Corporation.
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3 MR. LEMAY: Are there addi-
4 tional appearances in these cases?

5 Who wants to start, Mr. Lopez?
6 Mr. Kellahin?

7 MR. LOPEZ: Well, I though we
8 weren't going to say anything until January.

9 MR. LEMAY: Well, I need a
10 motion to extend this.

11 MR. LOPEZ: Oh, well, go ahead.

12 MR. KELLAHIN: Mr. Chairman, I
13 would request that these two cases be continued to the
14 January hearing of the Commission and that you take under
15 consideration my motion with regards to the dismissal and
16 continuance of the forced pooling cases.

17 In that regard we would request
18 permission of the Commission to file a memorandum brief of
19 legal authority on the issues involved in the case.

20 As we see them, the major is-
21 sues to resolve are the language in the June, 1987 order
22 that resulted in the reduced allowables in Gavilan-Mancos.
23 It's the June '87 order.

24 Within the context of that or-
25 der, it's R-7407-E, on page 5 and on page 4, Rule 2 and its
subsections had specifically exempted certain spacing and
proration units that were origianlly established on 320 ac-

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2 res.

3 We believe the Commission needs
4 to on its own motion open that rule for subsequent hearings
5 on the same docket with these pooling cases so that the Com-
6 mission may decide and direct us and clarify what it was in-
7 tended to do with the exemption of those spacing units.

8 Once that issue is discussed,
9 we believe that there are also issues involved in the com-
10 pulsory pooling case and among those issues is what direc-
11 tion you must take in consolidating the two 320's into a 640
12 in a producing well and how to allocate the costs of that
13 well and that investment among the parties. That is an is-
14 sue in the forced pooling statutes that we want to address
15 and we will do so my memorandum to you, and we propose that
16 all those issues be consolidated, the three hearings to be
17 heard at the same time.

18 MR. LEMAY: Thank you, Mr. Kel-
19 lahin.

20 Mr. Lopez, anything that you'd
21 like to add?

22 MR. LOPEZ: Mr. Chairman, we'll
23 join in the continuance of the case to the January hearing
24 under the circumstances that we've been apprised of today.

25 We have filed our response to
Mr. Kellahin's motion.

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2 We join the postponement of the
3 hearings on the basis that we do think that Rule 7407-D is
4 ambiguous.

5 Mesa Grande's position is that
6 the statutes are manifestly clear as to what the -- what the
7 Commission must do and we will also submit a memorandum
8 brief that we would object to opening up the compulsory
9 pooling cases to considering irrelevant testimony when the
10 statutes are so clear, but our memorandum will address that.

11 MR. LEMAY: Thank you, Mr.
12 Lopez.

13 We shall continue Cases 9225
14 and 9236 to the hearing of the Commission which will be held
15 on January 21st.

16 I'd also request from both of
17 you, Mr. Lopez, Mr. Kellahin, that you expand a little on
18 your October 26th letter, Mr. Kellahin, and your November
19 16th letter, Mr. Lopez, in briefs concerning the issue of
20 the options that we had as a Commission concerning forced
21 pooling when the spacing unit is enlarged.

22 MR. LOPEZ: And when do you
23 want the brief?

24 MR. LEMAY: By January 10th, if
25 that's the date that you agreed to.

MR. KELLAHIN: Yes, sir.

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MR. LEMAY: Is there anything
additional concerning these cases?

If not, they will be continued
to the January 21st hearing.

(Hearing concluded.)

C E R T I F I C A T E

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SANTA FE, NEW MEXICO

21 January 1988

COMMISSION HEARING

IN THE MATTER OF:

Application of Mesa Grande Resources, Inc., for compulsory pooling, and a nonstandard oil proration unit, Rio Arriba County, New Mexico. CASE 9236

BEFORE: William J. LeMay, Chairman
Erling Brostuen, Commissioner
William R. Humphries, Commissioner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Charles E. Roybal
Attorney at Law
Energy, Minerals & Natural
Resources Dept.
505 Camino de Los Marquez
Santa Fe, New Mexico 87501

For Sun Exploration and Production Co.: W. Thomas Kellahin
Attorney at Law
KELLAHIN, KELLAHIN & AUBREY
P. O. Box 2265
Santa Fe, New Mexico 87504

For Mesa Grande Resources, Owen M. Lopez
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MR. LEMAY: Case 9225.

MR. ROYBAL: Case 9225. Application of Mesa Grande Limited for an order pooling all mineral interests in the Gavilan Mancos Oil Pool underlying a certain 640-acre tract of land in Rio Arriba County, New Mexico.

MR. LEMAY: Okay, I think this case has been combined with Case 9236, is that correct, the attorneys wish that (unclear)?

MR. LOPEZ: No.

MR. LEMAY: Mr. Lopez.

MR. LOPEZ: Mr. LeMay, I believe I wrote the Commission to dismiss 9236 and I think we're here to put on our case in Case 9225.

MR. LEMAY: Okay, we'll take this out of order, then.

We'll call Case 9236.

MR. ROYBAL: Case 9236. Application of Mesa Grande Resources, Inc., for compulsory pooling and a nonstandard oil proration unit, Rio Arriba County, New Mexico.

MR. LEMAY: There's been a request by Mr. Lopez for this case to be dismissed.

Is that concurred with opposing

1 counsel?

2 MR. KELLAHIN: Mr. Chairman, I
3 have no objection to the dismissal.

4 MR. LEMAY: Fine. Case 9236
5 will be dismissed.

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7 (Hearing concluded.)

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For the Division: Charles E. Roybal
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For Mesa Grande Resources, Owen M. Lopez
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MR. LEMAY: Case 9225.

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MR. ROYBAL: Case 9225. Application of Mesa Grande Limited for an order pooling all mineral interests in the Gavilan Mancos Oil Pool underlying a certain 640-acre tract of land in Rio Arriba County, New Mexico.

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MR. LEMAY: Okay, I think this case has been combined with Case 9236, is that correct, the attorneys wish that (unclear)?

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MR. LOPEZ: No.

MR. LEMAY: Mr. Lopez.

MR. LOPEZ: Mr. LeMay, I believe I wrote the Commission to dismiss 9236 and I think we're here to put on our case in Case 9225.

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MR. LEMAY: Okay, we'll take this out of order, then.

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We'll call Case 9236.

MR. ROYBAL: Case 9236. Application of Mesa Grande Resources, Inc., for compulsory pooling and a nonstandard oil proration unit, Rio Arriba County, New Mexico.

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MR. LEMAY: There's been a request by Mr. Lopez for this case to be dismissed.

Is that concurred with opposing

1 counsel?

2 MR. KELLAHIN: Mr. Chairman, I
3 have no objection to the dismissal.

4 MR. LEMAY: Fine. Case 9236
5 will be dismissed.

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7 (Hearing concluded.)

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