

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:) CASE NO. 11,129
)
APPLICATION OF ANSON GAS)
CORPORATION)
_____)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

January 19th, 1995

JAN 30

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, January 19th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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Examiner Hearing
CASE NO. 11,129

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* * *

A P P E A R A N C E S

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By: TANYA M. TRUJILLO

* * *

1 WHEREUPON, the following proceedings were had at
2 8:21 a.m.:

3 EXAMINER STOGNER: Let's move on to the next
4 case, 11,129.

5 MR. CARROLL: Application of AnSon Gas
6 Corporation for compulsory pooling and an unorthodox oil
7 well location, Lea County, New Mexico.

8 EXAMINER STOGNER: Call for appearances in this
9 matter.

10 MS. TRUJILLO: Mr. Examiner, my name is Tanya
11 Trujillo from the Santa Fe law firm Campbell, Carr, Berge
12 and Sheridan.

13 I have one witnesses to present on behalf of the
14 Applicant AnSon.

15 EXAMINER STOGNER: Are there any other
16 appearances in this matter?

17 Will the witness please stand to be sworn at this
18 time?

19 (Thereupon, the witness was sworn.)

20 EXAMINER STOGNER: Ms. Trujillo, I believe this
21 case is reopened. Could you, for the record, kind of bring
22 us up to date on the previous hearings in this matter?

23 MS. TRUJILLO: Yes, this case was first heard on
24 November the 8th, 1994. At that time it was discovered
25 that additional notice needed to be provided to the offset

1 operators.

2 In the interim period, AnSon decided that they
3 wanted to propose a new well location, which is slightly
4 more unorthodox. New notice was given to the offset
5 operators, and at this time we would like to present
6 additional land testimony regarding the new proposed
7 location.

8 EXAMINER STOGNER: Okay, thank you. You may
9 continue.

10 MS. TRUJILLO: Mr. Examiner, my first witness.

11 AL SWANSON,

12 the witness herein, after having been first duly sworn upon
13 his oath, was examined and testified as follows:

14 DIRECT EXAMINATION

15 BY MS. TRUJILLO:

16 Q. Could you please state your name and place of
17 residence?

18 A. My name is Al Swanson. I reside in Oklahoma
19 City, Oklahoma.

20 Q. By whom are you employed and in what capacity?

21 A. I am a landman. I am employed by J.O. Easley,
22 Inc., which represents AnSon Gas Corporation.

23 Q. Have you previously testified before this
24 Division and one of its Examiners?

25 A. No, I have not.

1 Q. Could you review your job experience, please?

2 A. Yes, I've been a landman for 14 years. Of those
3 14, I've been employed by J.O. Easley, Inc., for 11 of
4 those, and I have testified on numerous occasions within
5 the State of Oklahoma for commission hearings.

6 Q. Are you familiar with the Applications filed in
7 these cases?

8 A. Yes, I am.

9 Q. And are you familiar with the subject area of
10 this Application?

11 A. Yes, I am.

12 MS. TRUJILLO: Mr. Examiner, are the witness's
13 qualifications acceptable?

14 EXAMINER STOGNER: They are.

15 Q. (By Ms. Trujillo) Mr. Swanson, could you please
16 state what AnSon seeks with this Application?

17 A. Yes, Anson would seek compulsory pooling from the
18 surface to the base of the Atoka formation underlying the
19 north half of the southeast quarter, Section 15, 17 South,
20 37 East, Lea County, New Mexico.

21 We would also seek an unorthodox well location at
22 a description of 2310 from the south line and 410 from the
23 east line of the southeast quarter.

24 And we would also request standard 80-acre oil
25 unit for the Humble City Strawn Pool.

1 Q. Mr. Swanson, have exhibits been prepared for
2 introduction in this case?

3 A. Yes, they have.

4 Q. Could you refer to what has been marked as
5 Exhibit Number 1, please, and describe that for the
6 Examiner?

7 A. All right, Exhibit Number 1 is a plat outlining
8 the southeast quarter, north half of the southeast quarter,
9 Section 15, 17-37.

10 The shaded area indicates our proration unit that
11 we would like to establish.

12 It also shows where our unorthodox well location,
13 we would like for it to be.

14 It also shows the representation and percentage
15 of working interest that AnSon represents at this time.

16 Q. Okay. Could you identify the offset operators?

17 A. Yes, at this time Yates Petroleum Corporation is
18 the offset operator to the east. That is the closest well
19 to us.

20 And additionally, we have notified working
21 interest owners that -- just on leasehold in that position
22 and notified them of that effect too.

23 Q. Mr. Swanson, what is the status of the acreage in
24 this area?

25 A. At this point, AnSon represents -- we have

1 approximately 82.632 percent of the unit, as we own in
2 leasehold position at this time.

3 Q. And what is the primary objective of the proposed
4 well?

5 A. Our primary projective (*sic*) is the Undesignated
6 Humble City-Strawn Pool for the Strawn formation and the
7 Undesignated Humble City-Atoka Pool for the Atoka
8 formation.

9 Q. Could you move on to what has been marked as
10 Exhibit 2, please, and describe that for the Examiner?

11 A. Yes, Exhibit 2 is an ownership breakdown. It
12 describes the leases that AnSon currently has in their
13 possession as to net acres and percentage of the unit.

14 It also describes those parties participating
15 under operating agreement and those parties that we are
16 pooling under this case.

17 Q. Okay, and what is the percentage of voluntary
18 commitment to the well?

19 A. The voluntary commitment for AnSon's behalf is
20 82.632 percent, and also participation under the JOA would
21 be 11.375 percent.

22 Q. Okay, and the net acres are -- ?

23 A. Net acres are 66.1056 for AnSon, and those
24 parties participating was 9.1 acres.

25 Q. Okay. Are there owners who you have been unable

1 to locate?

2 A. No, there are not.

3 Q. How many interest owners have you identified who
4 are subject to this pooling Application?

5 A. There are two parties, one being Bonneville Fuels
6 Corporation, the other party being Sun-West Oil and Gas,
7 Inc.

8 Q. Could you move to what has been marked as Exhibit
9 Number 4, please, and describe this for the Examiner?

10 A. Exhibit Number 4 is two sets of letters and
11 correspondence that we have had with Bonneville Fuels and
12 Sun-West Oil and Gas, trying to make a deal with them to
13 lease their interest or participate in this unit.

14 Q. And are there also some waiver letters attached
15 there?

16 A. Yes, there are. At the time when we decided to
17 make an unorthodox well location, we decided -- we notified
18 all the offsetting leasehold owners and operators, and
19 those are waiver letters that we have received agreeing to
20 the unorthodox location.

21 Q. Mr. Swanson, in your opinion have you made a
22 good-faith effort to locate all individuals and obtain
23 their voluntary joinder?

24 A. Yes, we have.

25 Q. Could we move back to Exhibit Number 3, please,

1 and could you identify that for the Examiner?

2 A. Exhibit Number 3 is AnSon Company's proposal for
3 estimated costs and authorization for expenditures.

4 Q. Okay, and what are the totals that this exhibit
5 sets forth?

6 A. We are representing that dryhole costs for this
7 well will be approximately \$433,900. Completion costs
8 would be an additional \$317,100, making a total cost of
9 \$751,000.

10 Q. Are these costs in line with what has been
11 charged by other operators in the area for similar wells?

12 A. Yes, they are.

13 MS. TRUJILLO: Mr. Examiner, Exhibit Number 5 is
14 an affidavit of myself which indicates that notice has been
15 given to the operators, offset operators.

16 EXAMINER STOGNER: Okay, I have that here.

17 Q. (By Ms. Trujillo) Okay. Mr. Swanson, have you
18 made an estimate of the overhead and administrative costs
19 while drilling this well and also while producing this well
20 if it is successful?

21 A. Yes, we have. Administrative cost while drilling
22 will be \$6000 per month and while producing will be \$600
23 per month. These figures are based on an *Ernst & Young*
24 survey, and they are also based on offset units which we
25 just have recently pooled, that have established these same

1 figures.

2 Q. And when was the most recent order?

3 A. The most recent order that these figures were
4 used was dated January 9th, 1995, which was in the offset
5 section, Section 11, 17-37.

6 Q. Do you have the order number handy on that?

7 A. Yes, I do. It's Order Number R-10,294.

8 Q. Thank you. And are these costs in line with what
9 is being charged by other operators in the area?

10 A. Yes, they are.

11 Q. Do you recommend that these figures be
12 incorporated into any order that results from this hearing?

13 A. Yes, we do.

14 Q. And does AnSon seek to be designated operator of
15 this well?

16 A. Yes, we do.

17 Q. How soon does AnSon propose to drill the well?

18 A. We would like to drill the well as soon as
19 possible under time constraints from agreements and
20 drilling commitments, we need to start as soon as possible.

21 Q. Do you ask that this order be expedited?

22 A. Yes, we do, as much as possible.

23 Q. Okay. Were Exhibits 1 through 5 prepared by you
24 or compiled under your direction?

25 A. Yes, they were.

1 MS. TRUJILLO: Okay. Mr. Examiner, I have no
2 further questions for the witness.

3 EXAMINER STOGNER: Exhibits 1 through 5 will be
4 admitted into evidence.

5 EXAMINATION

6 BY EXAMINER STOGNER:

7 Q. Mr. Swanson, let's review Exhibit Number 2 that
8 you presented today, and then going back to Exhibit Number
9 2 that was presented at the November 10th hearing --

10 A. Okay.

11 Q. -- and perhaps discuss the differences there on
12 the unleased minerals or the un- -- or the parties that
13 have not joined.

14 A. Okay. I do not have a copy of the original
15 order, so --

16 Q. Well, I tell you what, can you -- Let me rephrase
17 that question.

18 I notice that Hillin-Simon Oil Company was
19 considered an unleased mineral owner in Exhibit Number 2
20 presented on November 10th, and now they are no longer down
21 there on the unleased portion. Could you please elaborate
22 on what happened to them?

23 A. Yes, sir, Hillin-Simon entered into an agreement
24 with Nearburg Exploration where they were going to assign
25 their interests to them. Nearburg had notified us to that

1 effect and had agreed to participate in the well under an
2 operating agreement.

3 Q. And that's the only changes that you know of at
4 this point?

5 A. Yes, sir.

6 Q. The overhead charges of \$6000 and \$600, was that
7 what was originally requested at the November hearing also?

8 A. Yes, sir, it was.

9 Q. Pursuant to some earlier testimony -- You might
10 have presented this at the November 10th hearing, but I
11 wasn't the Hearing Examiner at that time, so please excuse
12 me for having you repeat some stuff.

13 On the offset operators, you said Yates was the
14 offset operator to the east?

15 A. To the east, yes, sir.

16 Q. And how about those parties to the north and to
17 the northeast?

18 A. Okay, there's not a well directly to the --
19 either direction. There is leasehold position that is
20 offsetting us to the north and to the northeast, and all
21 those parties are underneath -- are parties of those
22 letters that we notified to ask them to waive the
23 unorthodox location.

24 Q. And that's included in Exhibit Number 4?

25 A. Yes, sir. I can tell you who the offset

1 leasehold owners are for each direction, if you would like
2 for me to.

3 Q. Let's do that --

4 A. All right.

5 Q. -- get it on the record.

6 A. To the -- what would be to the north, Hillin-
7 Simon.

8 To -- Directly to the northeast would be Amerada
9 Hess, David Petroleum, Colin McMillan, Nadine Loveless,
10 Carolyn Schlicher, and Lucinda Loveless.

11 Those that would be to the direct east offset
12 leasehold position would be Bonneville Fuels, Amerada Hess,
13 American West Oil and Gas, David Petroleum, Colin McMillan,
14 Nadine Loveless, Carolyn Schlicher and Lucinda Loveless.

15 And all of those parties are mentioned in the
16 waiver letters that we have received.

17 Q. The letters sent to them are dated December 28th;
18 is that correct?

19 A. Yes, sir.

20 Q. And does that notify them of the proposed
21 unorthodox location, that being 2310 from the south and 410
22 from the east?

23 A. That is correct.

24 Q. And that is the location which Anson is
25 requesting at this time?

1 A. That is correct.

2 EXAMINER STOGNER: Ms. Trujillo, this location
3 has changed somewhat from what it was originally requested.
4 However, the geological evidence would not change or has
5 not changed?

6 MS. TRUJILLO: That is correct. I have submitted
7 an Exhibit Number 6, which is an isopach map that shows the
8 new proposed location, and I would ask that the geological
9 testimony from the November 8th hearing be incorporated at
10 this time into the testimony here today.

11 There would be no other changes in the geological
12 testimony.

13 EXAMINER STOGNER: Okay. Your Exhibit Number 6
14 presented today will be admitted into evidence, or I should
15 say AnSon's --

16 THE WITNESS: Yes.

17 EXAMINER STOGNER: -- AnSon's Exhibit Number 6.

18 And the record made in the previous case in this
19 matter will be made a part -- will be made a part of the
20 record today.

21 I have no other questions of this witness.

22 Do you have any questions?

23 MR. CARROLL: (Shakes head)

24 EXAMINER STOGNER: Any other questions of this
25 witness?

1 MS. TRUJILLO: Not at this time.

2 EXAMINER STOGNER: If not, Mr. Swanson may be
3 excused.

4 Is there anything further in Case 11,129?

5 MS. TRUJILLO: No, I have nothing.

6 EXAMINER STOGNER: This case will be taken under
7 advisement.

8 (Thereupon, these proceedings were concluded at
9 8:37 a.m.)

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

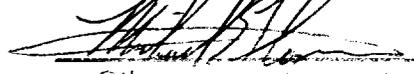
I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL January 20th, 1995.


STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings of the Examiner hearing of Case No. 11129 heard by me on 19 January 1995.


Oil