

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 10 April 1985

7 COMMISSION HEARING

8 IN THE MATTER OF:

9 Application of Fred G. Yates, Inc., for CASE  
10 compulsory pooling, Lea County, New 8532  
11 Mexico.

12 BEFORE: Gilbert P. Quintana, Examiner

13  
14 TRANSCRIPT OF HEARING

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

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19 For the Oil Conservation Division: Jeff Taylor  
20 Attorney at Law  
21 Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

22 For the Applicant: James G. Bruce  
23 Attorney at Law  
24 HINKLE LAW FIRM  
P. O. Box 2068  
25 Santa Fe, New Mexico 87501

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A P P E A R A N C E S

For Amoco Prod.:                    Scott Hall  
   Attorney at Law  
   CAMPBELL & BLACK P.A.  
   P. O. Box 2208  
   Santa Fe, New Mexico 87501

I N D E X

LARRY HUNNICUTT

Direct Examination by Mr. Bruce                    4  
Cross Examination by Mr. Quintana                11

E X H I B I T S

Yates Exhibit One-A, Map                            5  
Yates Exhibit One-B, Plat                           6  
Yates Exhibit Two-A, C-101                         6  
Yates Exhibit Two-B, C-102                         6  
Yates Exhibit Three, Operating Agreement        8  
Yates Exhibit Four, Letter                         9  
Yates Exhibit Five, AFE                             9  
Yates Exhibit Six, Proposed Order                10

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MR. QUINTANA: We'll call next  
Case Number 8532.

MR. TAYLOR: Application of  
Fred G. Yates, Inc., for compulsory pooling, Lea County, New  
Mexico.

MR. QUINTANA: We'll call for  
appearances in this case.

MR. BRUCE: I'm Jim Bruce with  
the Hinkle Law Firm, Santa Fe, appearing for the applicant.

I have one witness to be sworn.

MR. QUINTANA: Are there any  
other appearances in this case?

MR. HALL: I'm Scott Hall with  
the law firm of Campbell and Black, appearing on behalf of  
Amoco Production Company.

MR. QUINTANA: Do you have any  
witnesses, Mr. Hall?

MR. HALL: No, sir.

MR. QUINTANA: Will the witness  
please stand and be sworn in?

(Witness sworn.)

MR. QUINTANA: You may proceed,  
Mr. Bruce.

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LARRY HUNNICUTT,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. BRUCE:

Q Will you please state your name and address?

A My name is Larry Hunnicutt. I reside at Number 43 Lost Trail, Roswell, New Mexico.

I am a petroleum landman and I am employed by Sunburst Exploration, Inc.

Q And what title do you hold at Sunburst?

A I'm President.

Q What is the relationship of Sunburst Exploration to Fred G. Yates, Inc., in this matter?

A Fred G. Yates, Inc. and Sunburst Exploration, Inc., are partners in this acreage and inasmuch as Sunburst Exploration is an exploration company, we have been the ones in the forefront in developing the prospect and getting it ready to drill.

Q And have you previously testified before the OCD as a petroleum landman and had your credentials accepted as a matter of record?

A Yes.

Q And are you familiar with the application

1  
2 of Fred G. Yates, Inc., in this case and the land ownership  
3 matters involved therein?

4 A Yes, I am.

5 MR. BRUCE: Mr. Examiner, is  
6 the witness considered qualified?

7 MR. QUINTANA: Yes.

8 Q Briefly, Mr. Hunnicutt, what does Fred G.  
9 Yates, Inc., seek by its application.

10 A He is seeking an order pooling all the  
11 mineral interest in the Pennsylvanian formations underlying  
12 the southwest quarter of Section 13 of Township 13 South,  
13 Range 32 East; said lands to be dedicated to the Fred G.  
14 Yates, Inc.-Sunburst Featherstone State No. 1 Well; this  
15 well to be drilled at a location of 555 feet from the south  
16 line and 555 feet from the west line of Section 13.

17 At present all the working interest own-  
18 ers have now agreed to commit their interest to the proposed  
19 well and this hearing is for the limited purpose of force  
20 pooling certain record title owners which we have been un-  
21 able to locate; said record title owners being to State  
22 Lease B-399-35, which covers the west half of the southwest  
23 quarter of Section 13.

24 Q Would you please now refer to Exhibit  
25 One-A and state what it represents?

A This is a county ownership map on a scale  
of 4000-to-1, and I submit this to demonstrate where the  
lands are located, our location, and its proximity to the

1  
2 other production, and our leases to the proximity of other  
3 leases in the area.

4 Q And would you please refer to Exhibit  
5 One-B and explain that?

6 A One-B is a plat prepared by our office  
7 which shows the relationship of the actual location to the  
8 southwest quarter of Section 13. Also you'll note that it  
9 indicates the leasehold ownership as to the west half south-  
10 west quarter and east half southwest quarter.

11 Q What is the mineral and leasehold owner-  
12 ship of the southwest quarter of Section 13?

13 A The mineral estate is owned by the State  
14 of New Mexico. This is true for both the west half south-  
15 west and east half southwest.

16 The west half southwest quarter of Sec-  
17 tion 2, State Lease B-399-35, the operating rights to which  
18 are now currently owned by Amoco Production Company.

19 As to the east half southwest quarter, it  
20 is under State Lease LG-4177-1, which is owned by the appli-  
21 cant and its nonoperators.

22 Q Would you please now refer to Exhibits  
23 Two-A and Two-B and in connection with those, has the appli-  
24 cant applied to the OCD for a permit to drill the proposed  
25 well?

A Yes, Fred G. Yates, Inc. has made appli-  
cation to the OCD and -- by filing the Form C-101 and Form  
C-102, both of which have been approved subject the approval

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2 of a unit and, of course, compulsory pooling herein.

3 This well will be drilled to test the  
4 Pennsylvanian formation in the Baum Upper Penn Field and the  
5 southwest quarter of Section 13 is to be dedicated to this  
6 well.

7 Q Referring now to Exhibit Number Three,  
8 have all working interests been committed to this well?

9 A Yes. Exhibit Three is the copy -- is a  
10 copy of the joint operating agreement which Amoco and Fred  
11 G. Yates, Inc. have not executed.

12 You will also find included signature  
13 pages from the other nonoperators; however, Amoco, as I in-  
14 dicated, the working interest owner of the west half south-  
15 west quarter of Section 13 has been unable to locate and se-  
16 cure the consent of a record owners of the lease  
17 Because -- because a State lease is involved, representa-  
18 tives of Amoco and Fred G. Yates, Inc. have conferred with  
19 Mr. Ray Graham of the State Land Office. Mr. Graham has ad-  
20 vised us that the office, his office, will require that the  
21 record owner give his consent or be force pooled before the  
22 State Land Office would give its consent to the communitiza-  
23 tion of these two leases involved in this matter.

24 Therefore, the hearing is again for the  
25 limited purpose of force pooling the record owner of the  
lease. No penalty or assessment is sought in this applica-  
tion.

Q What is the record ownership status of

1  
2 Lease B-399-35?

3 A As of January the 30th, 1947, Floyd L.  
4 Carston was the record owners of Lease B-399-35.

5 Mr. Carston on that date assigned the  
6 lease to a trust. Manfred Production Company is a successor  
7 trustee to that trust. Manfred assigned the operating  
8 rights to Amoco and ratifications of the assignment were ob-  
9 tained from all the beneficial interest owners of the trust  
10 of Lease B-399-35, including successors to the Carston in-  
11 terest; however, Mr. Carston is still a record owner of the  
12 lease along with Manfred Production Company.

13 The Carstons, or their heirs, own no in-  
14 terest in the lease production.

15 Mr. Carston is now deceased and, as noted  
16 above, the State Land Office requires compulsory pooling of  
17 the Carston interest in this lease.

18 We have received a letter from Mr. Graham  
19 stating the concern of the Land Office and setting out the  
20 handling of this matter.

21 MR. BRUCE: Mr. Examiner, that  
22 letter, or a copy of that letter, is attached as Exhibit  
23 Four to your packet of information, and I believe a copy has  
24 been provided to the Oil Conservation Division, also.

25 Q Mr. Hunnicutt, does the operating agree-  
ment name Fred G. Yates, Inc. as operator of the well?

A Yes, it does.

Q And does the operating agreement contain



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charges for supervision to be included in the requested order?

A Yes. The drilling well supervision charge is \$4515 per month. The completed well supervision charge is \$460 per month.

Q Are these charges in accordance with what is charged by applicant and other operators in the area for wells drilled to the Pennsylvanian formation?

A Yes.

Q Would you please refer to Exhibit Number Five and describe it briefly?

A This is an AFE which was prepared by Fred G. Yates, Inc., dated March the 11th, 1985. Said AFE reflects the cost for drilling the well.

You will note that these AFEs have been signed by Amoco and Fred G. Yates, Inc., and they reflect a completed well cost of \$670,040.

Q And also included are copies signed by all other nonoperators.

A That is correct.

Q Are the costs set forth on this AFE in line with AFEs for other wells drilled by applicant or other operators in this area to this depth?

A Yes.

Q Is an expedited decision required in this matter?

A Yes. Due to the offset production, which

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is located in the southeast quarter of the southeast quarter of Section 14, the adjacent section, the State Land Office has required that a well be drilled to protect against drainage. A proposed order will be submitted, hopefully, for expedition of this matter.

Applicant requests approval of this application today so that drilling operations may begin on or before April the 16th, 1985, at 5:00 p.m.

If drilling operations are not commenced, the State Land Office may cancel State Lease B-399-35 for failure to develop said lease.

MR. BRUCE: Mr. Examiner, a copy of the proposed order is submitted as Exhibit Six.

Q Mr. Hunnicutt, have Exhibits One through Six been prepared by you or under your supervision on taken from files for which you have supervision?

A Yes, with the exception of Exhibit Four, which was prepared by Mr. Ray Graham, and Exhibit Six, which, of course, was prepared by our attorneys.

Q In your opinion will approval of the application by Fred G. Yates, Inc. prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights?

A Yes, it will.

MR. BRUCE: Mr. Examiner, at this time I move the admission of Exhibits One through Six.

MR. QUINTANA: Exhibits One

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through Six will be entered as evidence.

MR. BRUCE: I have no further questions of this witness.

CROSS EXAMINATION

BY MR. QUINTANA:

Q Mr. Hunnicutt, the cost for drilling and producing, the rate that you've recommended, were those agreed upon between you and Amoco and all the parties?

A Yes, sir, they are. They are contained in the COPAS of the operating agreement under Exhibit C and -- which said operating agreement has been executed by all the parties.

Q That's fine.

MR. QUINTANA: Any questions of the witness?

Anything further in this case?  
If not, Case 8532 will be taken under advisement.

(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 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 correct and true transcript of the hearing held on APRIL 10 1985 near 8532.  
Silbert P. Quintana 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 27 March 1985

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Fred G. Yates, Inc. CASE  
10 for compulsory pooling, Lea County, 8532  
11 New Mexico.

12 BEFORE: Michael E. Stogner, Examiner

13 TRANSCRIPT OF HEARING

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MR. STOGNER: Call next Case  
No. 8532.

MR. TAYLOR: The application of  
Fred G. Yates, Inc. for compulsory pooling, Lea County, New  
Mexico.

The applicant has requested  
that this case be continued.

MR. STOGNER: Case No. 8532  
will be so continued to Examiner's Hearing scheduled for Ap-  
ril 10, 1985.

(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 Con-  
servation Division was reported by me; that the said tran-  
script 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 transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.  
27 March 1985  
Michael J. Higgins, Director  
Oil Division