

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

1 July 1987

EXAMINER HEARING

IN THE MATTER OF:

Application of Crown Central Pet-  
roleum Corporation for compulsory CASE  
pooling, Lea County, New Mexico. 9161

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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Santa Fe, New Mexico 87501

For the Applicant: James G. Bruce  
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I N D E X

ROB REASONER

Direct Examination by Mr. Bruce	3
Cross Examination by Mr. Catanach	12

DONALD TURNER

Direct Examination by Mr. Bruce	13
Cross Examination by Mr. Catanach	17

E X H I B I T S

Crown Exhibit One, Montage	5
Crown Exhibit Two, Letter	10
Crown Exhibit Three, AFE	10

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MR. CATANACH: Call Case 9161.

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MR. TAYLOR: The application of  
Crown Central Petroleum Corporation for compulsory pooling,  
Lea County, New Mexico.

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MR. CATANACH: Are there  
appearances in the case?

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MR. BRUCE: Mr. Examiner, my  
name is James Bruce from the Hinkle Firm in Santa Fe,  
representing the applicant, and I have two witnesses to be  
sworn.

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

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(Witnesses sworn.)

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

DIRECT EXAMINATION

BY MR. BRUCE:

Q Would you please state your name and your

1 city of residence, please?

2 A My name is Rob Reasoner and --

3 Q And who is your employer and what is your  
4 occupation?

5 A My employer is Crown Central Petroleum  
6 Corporation and I'm a landman with that company.

7 Q And have you previously testified before  
8 the OCD?

9 A No.

10 Q Would you please give a brief description  
11 of your educational and work background?

12 A Okay. I received my Bachelor of Science  
13 in petroleum land management from the University of Houston.  
14 I've been in the land business since 1975  
15 and have been a landman with Crown Central since, well, the  
16 previous four years.

17 Q And do your areas of responsibility  
18 include southeast New Mexico?

19 A Yes.

20 Q And are you familiar with the land  
21 matters involved in this case?

22 A Yes, sir.

23 MR. BRUCE: Mr. Examiner, is  
24 the witness considered qualified?

25 MR. CATANACH: He is.

1           Q           Mr. Reasoner, would you state briefly  
2 what Crown Central seeks in this application?

3           A           Crown Central seeks an order pooling all  
4 mineral interests from the surface to the base of the Abo  
5 formation at an approximate depth of 8000 feet, underlying  
6 the southeast quarter of Section 25, Township 19 South,  
7 Range 38 East, to be dedicated to a well at standard  
8 location.

9                       Crown Central also requests consideration  
10 of the cost of drilling and completing the well and the  
11 allocation of the cost thereof, as well as all actual  
12 operating costs and charges for supervision.

13                      Crown Central requests that it be named  
14 well operator and that a charge for the risk involved in  
15 drilling the well be assessed against nonconsenting owners.

16           Q           Would you please refer to the land plat  
17 portion of Exhibit Number One on the wall and briefly  
18 describe what it shows?

19           A           Okay. Our land plat is shown up here in  
20 the northeast portion of this map and the southeast quarter  
21 is what we're asking to be force pooled as to a gas unit and  
22 the southeast southeast quarter, otherwise known as Unit B,  
23 as an oil unit.

24           Q           Who does Crown Central seek to force  
25 pool?

1           A           We have eighteen interest owners we seek  
2 to force pool, one of them being the leasehold interest  
3 owner; the other seventeen being mineral interest owners.

4                       The leasehold owner is Amerada Hess.

5                       The mineral interest owners are Kirby Ex-  
6 ploration Company, Sabine Corporation, Emma Pierson, Louis  
7 Stromwasser, Thomas H. Ellis, Herebert Seelye, Edna Prodgea,  
8 Rachel Cox, Wilber Yeager Estate, J. M. Armstrong Estate,  
9 Lita Hodgkins, Asa Permor, Anna Haggard, John T. Peterson,  
10 Edna L. Thomas, Cora D. Lash, and Libbie P. Wright.

11           Q           On a party by party basis, would you  
12 please describe your efforts to get these interest owners to  
13 join in the well?

14           A           Okay. On April 7th we sent a letter to  
15 Sabine Corporation requesting their joinder in the well  
16 and/or their offer to lease.

17                       We received a letter on May 14th from Sa-  
18 bine counter-offering our terms.

19                       On June 11th we sent another letter to  
20 Sabine advising them of force pooling hearing.

21                       June 23rd we sent another letter to Sa-  
22 bine requesting changes to their lease offer. We consider  
23 their lease to be inoperable.

24                       We have, however, verbally agreed to take  
25 a lease from Sabine but have yet to receive a letter from

1 them seeing their new lease terms.

2           Okay, on April 7th we also sent a letter  
3 to Kirby Exploration requesting their joinder in the well or  
4 their offer to lease.

5           We received a letter from them on May  
6 11th offering a counter-proposal to our lease terms.

7           On June 11th I advised them of the forced  
8 pooling hearing in Santa Fe; sent them another letter on  
9 June 18th requesting changes to their lease and have had no  
10 response to this date. I have called twice and have had no  
11 return calls.

12           On June 11th I sent a letter to the Wil-  
13 bur Yeager Estate advising of the forced pooling proceedings  
14 to be held in Santa Fe. I received a letter -- no, I sent  
15 another letter to the Yeager Estate on June 16th requesting  
16 their joinder in the well or lease. Received a phone call  
17 from the Yeager Estate. They said that they would send us a  
18 lease, which I have recieved and at this time we are still  
19 working out some of the negotiations on that lease and have  
20 not received anything in writing.

21           I sent the same letter to the Yeager, I  
22 mean the Armstrong Estate on June 11th and advised about the  
23 forced pooling proceeding; another letter on June 16th re-  
24 questing their joinder in the well or lease.

25           They have also advised they'd send me a





1 pooling hearing. It was also returned.

2 Sent a letter June 9th to Rachel Cox  
3 offering to lease and also a letter on June 11th advising of  
4 force pooling proceedings.

5 We at this time have a tentative lease  
6 agreement from them but nothing in writing.

7 On May 28th sent a letter to Emma Pierson  
8 offering to lease; also a letter on June 11th advising of  
9 the force pooling hearing; have not received anything from  
10 them at this time.

11 Sent another letter on May 26th to the  
12 Louis Stromwasser offering to lease.

13 Sent a letter on -- received a letter  
14 from Louis Stromwasser agreeing to lease on June 4th.

15 Sent a lease, let's see, on June 12th and  
16 then we also sent a letter on the 11th advising them of a  
17 force pooling proceedings; however, we have not received  
18 anything from him at this time.

19 The other seven interest owners that we  
20 seek to force pool we cannot locate. We've had a diligent  
21 search through the county records, through our broker, and  
22 have not been able to come up with any addresses. Most of  
23 these owners have been lost since the thirties and therefore  
24 request that they be force pooled.

25 Would you like for me to read that again?

1 Q Briefly read those names.

2 A Okay, that's Lita Wolfe (unclear) Hodg-  
3 kins; last known address was Alameda, California, and that  
4 was in 1947.

5 Asa Permor, Anna Haggard, last address  
6 for her was Lewes, Delaware, in 1947.

7 John T. Peterson, last record we have was  
8 1930.

9 Edna L. Thomas, Core D. Lash, and Libbie  
10 P. Wright.

11 Q And was notice of this hearing sent by  
12 certified mail to the locatable nonconsenting interest own-  
13 ers?

14 A Yes.

15 Q And is that submitted as Exhibit Number  
16 Two?

17 A Yes.

18 Q And would you please refer to Exhibit  
19 Number Three and discuss the cost of the proposed well?

20 A Okay, let's see. Exhibit Number Three is  
21 an AFE for the drilling of this well.

22 Dry hole cost for the drilling of this  
23 well is \$189,500. Completed well would be \$400,000.

24 Q And are these costs in line with those  
25 normally encountered in drilling wells to this depth in Lea

1 County?

2 A Yes, sir.

3 Q And what is your recommendation for the  
4 amount which Crown Central should be paid for supervision  
5 and administrative expenses?

6 A Okay, we request that the drilling rate  
7 be \$4000 and a producing rate, \$400.

8 Q Per month?

9 A Yes, sir.

10 Q And are these amounts in line with those  
11 normally charged by operators in Lea County?

12 A Yes, sir.

13 Q Were Exhibits Two and Three prepared by  
14 you or compiled from company records?

15 A Yes, sir.

16 Q And in your opinion will the granting of  
17 this application be in the interest of conservation and the  
18 prevention of waste?

19 A Yes, sir.

20 MR. BRUCE: Mr. Examiner, I  
21 move the admission of Exhibits Two and Three.

22 MR. CATANACH: Exhibits Two and  
23 Three will be admitted into evidence.

24 MR. BRUCE: I have no further  
25 questions of this witness at this time, Mr. Examiner.

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CROSS EXAMINATION

BY MR. CATANACH:

Q Mr. Reasoner, Exhibit Number Two is a letter dated June 11th. Is that -- was that letter sent to all interest, locatable interest owners?

A Yes. I believe that's the letter advising of a forced pooling hearing, so that would -- that was sent to all 18 interest owners.

Q But before you had sent this letter you had made an attempt to verbally secure an agreement between the interest owners?

A Yes.

Q Mr. Reasoner --

A Sir?

Q -- have the interest owners -- how does the interest ownership compare between the 40 and the 160? Is it --

A It's common under the whole 160.

Q It is common?

A Yes, sir.

Q The -- are the drilling costs pretty much in line with what's being charged nowadays?

A I consider it so for this area.

MR. CATANACH: I think that's

1 all I have at this time for the witness.

2 You may be excused.

3

4 DONALD TURNER,

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

7

8 CROSS EXAMINATION

9 BY MR. BRUCE:

10 Q Would you please state your name and city  
11 of residence, please?

12 A Donald Turner, Midland, Texas.

13 Q And what is your occupation and who is  
14 your employer?

15 A Senior Geologist, Crown Central Petro-  
16 leum.

17 Q And have you previously testified before  
18 the OCD as a geologist?

19 A No, I have not.

20 Q Would you please discuss your educational  
21 and work background?

22 A I have a Bachelor of Science degree in  
23 geology from the University of South Alabama and a Master of  
24 Science degree in geology, Rensselaer Polytechnic Institute.

25 Began working offshore Louisiana for Gulf

1 Oil, New Orleans.

2 Then went to Conoco, offshore; moved to  
3 Lafayette, Louisiana, started working on shore.

4 Kind of a long history, but went to Belco  
5 Energy, worked on shore Louisiana and Mississippi, Alabama,  
6 (unclear) Basin.

7 Then came with Crown Central Petroleum;  
8 was moved to Permian Basin; have been here for five years in  
9 Midland. I've worked pretty much extensively southeastern  
10 New Mexico for that period of time.

11 Q And are you familiar with the geological  
12 matters involved in this case?

13 A Yes, I am.

14 MR. BRUCE: Mr. Examiner, are  
15 the witness' credentials acceptable?

16 A They are.

17 Q Mr. Turner, would you please refer to Ex-  
18 hibit Number One and discuss it?

19 A Okay. Exhibit One is a cross section  
20 showing proposed location and the -- I can show you probably  
21 better on this map here, coming through a producing well out  
22 of the Abo-Drinkard formation, which is the Shenandoah Fur-  
23 neaux, which is French, but it's an Abo-Drinkard producer  
24 and then you come through the (not clearly understood) Well,  
25 which is a dry hole, then down through our proposed location

1 tion, then over to the Stanoline Jones Well, which is also  
2 dry.

3                   There's a well, I'm sorry, I skipped one,  
4 the Leach -- Stanoline Leach Well, which is a dry hole,  
5 through our proposed location, the Stanoline Jones.

6                   Basically this is the Nadine Field, which  
7 exists where the Shenandoah well is. It's a -- in the Abo,  
8 which is what our primary objective is. Appears to be  
9 lagunal environment and there's a paleo high which sits from  
10 the center of Nadine Field, appears to be from looking at  
11 the seismic in here about Pennsylvanian age.

12                   These dry holes progressively, if you  
13 look at them on the cross section, this is the Furneaux  
14 here, you just bring it in on a cross section, you look like  
15 you're coming in pretty much flat, all the dry holes to our  
16 proposed location.

17                   Then work in the area and knowing that it  
18 was a paleo high, the idea came up that possibly there could  
19 be patch reef development off of this paleo high (unclear).

20                   So we basically came in here and shot,  
21 oh, what, about 40 or 50 miles of seismic through here  
22 trying to delineate if there was indeed any type of reefal  
23 development on the flanks of the structure, and we did  
24 encounter what appears to be -- this is mapped on the Tubb,  
25 but what appears to be a reef formation, or some sort of

1 carbonate bank formation down here in the southeast corner  
2 of Section 25, which is where our proposed location is.

3                   The only interpretation we could give to  
4 this, if you look at it from -- on the seismic is a  
5 predominantly seismic play, is that the regional dip coming  
6 off the structure tends to be -- this is on subsurface--  
7 it's just coming monoclinally off of the Nadine high, but  
8 we -- on seismic it flattens and comes back up, so we  
9 interpret this as being a patch reef off the flank of the  
10 old Nadine high. That's basically the play. It's  
11 predominantly seismic play.

12                   The Stanoline Jones Well through the  
13 interval that we're interested in did have -- did encounter  
14 shows in core but it was pinpoint porosity. We think we'll  
15 get a facies change over here and have a reef development in  
16 thqt same interval.

17                   And that's basically it.

18           Q           Is your proposed well a wildcat well?

19           A           Yes, sir, it is.

20           Q           And what penalty do you recommend to be  
21 assessed against the nonconsenting interest owners?

22           A           200 percent.

23           Q           Was Exhibit One prepared by you?

24           A           Yes, it was.

25           Q           And in your opinion will the granting of



1 this application be in the interest of conservation and the  
2 prevention of waste?

3 A Yes.

4 MR. BRUCE: I have nothing  
5 further, Mr. Examiner, and I move the admission of Exhibit  
6 One.

7 MR. CATANACH: Exhibit Number  
8 One will be admitted into evidence.

9

10 CROSS EXAMINATION

11 BY MR. CATANACH:

12 Q Mr. Turner, why have you recommended a  
13 200 perent risk factor?

14 A Because I consider this to be entirely a  
15 seismic play. We're straddled by dry holes on all sides.  
16 It's a facies play, and I consider it fairly high risk.

17 Q What is the exact location of the  
18 proposed well, do you know?

19 A 990 out of the south, 660 out of the  
20 east.

21 Q What Abo pool is to the west of you?

22 A To the west? I'm not sure there is an  
23 Abo pool to the west of us. There are some -- there's some  
24 Queen production over that way. I think there's some Bline-  
25 bry production down -- oh, to the west, I'm sorry. I'm

1 thinking east.

2 To the west of us it's the Nadine Abo.  
3 It's the Nadine Drinkard-Abo.

4 Q Is that classified as an oil pool?

5 A Yes, sir.

6 Q 40 acre spacing?

7 A Yes, sir.

8 Q Are there any Abo gas pools in this area?

9 A In the immediate area, no, sir.

10 Q How far away, do you have any idea?

11 A There's possibly some Abo gas about 8  
12 miles south and towards the southern flank of the House  
13 Field to the south of us.

14 It gets -- you get a fairly -- you get  
15 into some terminology problems down here as to what people  
16 are calling what down there. There are some fairly loose  
17 interpretations of what Abo was. By my correlation some of  
18 the Abo down there is Blinebry, but it's being called Abo,  
19 so I don't know.

20 Q So what's the reason for trying to pool  
21 160 acres, then, just in case you --

22 A In the event that it is. This is a separate  
23 feature and in the event it is gas we would like that.

24 Q Is that likely?

25 A From my -- from my work in here, yes,

1 sir, it is as much as not.

2                   We've produced gas down dip to oil in the  
3 Blinebry one location away flowing to a pumping well in the  
4 exact same formation, so I, you know, carbonates get fairly  
5 squirrly.

6           Q           In the event you do hit gas, I guess that  
7 would be a standard location for a gas well.

8           A           Yes, sir, I believe so.

9                           MR. CATANACH: I think that's  
10 all we have at this time.

11                           The witness may be excused.

12                           MR. BRUCE: I have nothing  
13 further in this case, Mr. Examiner.

14                           MR. CATANACH: There being  
15 nothing further in Case 9161, it will be taken under  
16 advisement.

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18                           (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

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 9161  
heard by me on July 1 1987

David R. Catanab. ~~Examiner~~  
Oil Conservation Division