

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

14 September 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Amerind Oil Company CASE
for compulsory pooling, Lea County, 9484
New 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 Amerind Oil Company: William F. Carr
 Attorney at Law
 CAMPBELL & BLACK, P.A.
 P. O. Box 2208
 Santa Fe, New Mexico 87501

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1 MR. CATANACH: Call Case 9484.

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

5 MR. CATANACH: Are there ap-
6 pearances in this case?

7 MR. CARR: May it please the
8 Examiner, my name is William F. Carr with the law firm
9 Campbell & Black, P. A., of Santa Fe. We represent Amerind
10 and we have two witnesses.

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

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

15

16 (Witnesses sworn.)

17

18

19 BILL SELTZER,
20 being called as a witness and being duly sworn upon his
21 oath, testified as follows, to-wit:

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DIRECT EXAMINATION

23

BY MR. CARR:

24

25

Q Will you state your full name for the
record, please?

1 A Bill Seltzer, Midland, Texas.

2 Q Mr. Seltzer, by whom are you employed
3 and in what capacity?

4 A I'm employed by Amerind Oil Company as
5 their land consultant.

6 Q Have you previously testified before
7 this Division and had your credentials as a land consul-
8 tant accepted and made a matter of record?

9 A Yes, I have.

10 Q Are you familiar with the application
11 filed in this case?

12 A Yes, I am.

13 Q Are you also familiar with the subject
14 area?

15 A Yes, I am.

16 MR. CARR: Are the witnesses
17 qualifications acceptable?

18 MR. CATANACH: They are.

19 Q Mr. Seltzer, will you briefly state what
20 Amerind seeks with this application?

21 A We seek an order pooling all the inter-
22 ests from the base of the San Andres formation to the base
23 of the Strawn formation covering the south half of the
24 northeast quarter of Section 2, Township 17 South, Range 37
25 East, Lea County, New Mexico.

1 Q Have you prepared certain exhibits for
2 introduction in this case?

3 A Yes, we have.

4 Q Would you refer to what has been marked
5 Amerind Exhibit Number One, identify that and review it for
6 Mr. Catanach?

7 A This exhibit, it shows the proration
8 unit which propose to dedicate to a well located at an
9 orthodox location in the southeast of the northeast quarter
10 of Section 2, Township 17 South, Range 37 East and it shows
11 the ownership of the parties adjacent to and -- adjacent to
12 this proration unit and also the other interest owners in
13 it.

14 Q And is the well the SOHIO Well in the
15 north half of the northeast, is that an 80-acre well also?

16 A Yes.

17 Q And so you're dedicating the remaining
18 acreage in the northeast quarter of Section 2.

19 A Correct.

20 Q The proposed well is indicated by the
21 spot with the number 2 after it.

22 A That's correct.

23 Q What is the primary objective? Is it
24 the Strawn formation?

25 A Yes, the Strawn formation.

1 Q Would you refer to Amerind Exhibit
2 Number Two and review that information for Mr. Catanach?

3 A This is a breakdown of the interest
4 owners on each 40-acre tract. The southwest of the
5 northeast is owned 100 percent by Chevron. The southeast
6 of the northeast is owned Amerind 65 percent, Texaco 25
7 percent, Bechtel Investments 10 percent, and when you put
8 all of those together for a proration unit we have Amerind
9 with 32.5,

10 Q Mr. Seltzer, what interest owners have
11 voluntarily committed their interest to the proposed well?

12 A Mr. Seltzer, what interest owners have
13 voluntarily committed their interest to the proposed well?

14 A Texaco and Bechtel have committed their
15 interest to the well with Amerind, so we have 50 percent
16 voluntarily committed.

17 Q And therefore Texaco and Bechtel are not
18 subject to the pooling application.

19 A No, they are not.

20 Q Would you identify what has been marked
21 as Amerind Exhibit Number Three and review that, please.

22 A This is our AFE for the drilling of the
23 well wherein we propose to spend \$340,000 for a dry hole
24 and \$305,000 for a completed well, for a total of \$645,000.

25 Q Are these costs in line with what's

1 charged by other operators in the area for similar wells?

2 A Yes, they are.

3 Q Would you please review for Mr. Catanach
4 your efforts to obtain Chevron's voluntary joinder in this
5 well, and while doing this you may want to refer to our Ex-
6 hibit Number Four.

7 A I personally delivered to Chevron my
8 letter dated August the 1st, 1988, wherein it requested
9 Chevron to join or farmout their acreage to the unit, to
10 Amerind, and I also forwarded to Texaco and Bechtel at the
11 same time this same offer by certified mail by my letter of
12 August the 2nd, 1988.

13 Bechtel and Texaco have executed an AFE
14 joining in the drilling of this test well and in addition
15 to the above letter, I have personally discussed and re-
16 quested Chevron, Texaco and Bechtel to join or farmout
17 their acreage, retaining a 1/8th override until payout come
18 back for 30 percent.

19 These are the same terms that we secured
20 our farmout agreement from Mesa.

21 Q Did you just identify what has been
22 marked as Amerind Exhibit Number Four?

23 A Yes, this is it, Amerind Exhibit Number
24 Four.

25 Q And this is the letter that you

1 sent to Chevron soliciting their participation in the --

2 A It was hand-delivered to Chevron.

3 Q How recently have you talked to Chevron
4 about their participating in this particular well?

5 A Monday.

6 Q And at this time have you reached any
7 kind of an agreement with them?

8 A No, we have not.

9 Q In your opinion have you made a good
10 faith effort to obtain their voluntary joinder in this
11 prospect?

12 A Yes, we have.

13 Q Has Amerind drilled other Strawn wells
14 in this immediate area?

15 A Yes, we have.

16 Q Now, I'd ask that you identify what has
17 been marked as Amerind Exhibit Number Five.

18 A This is the certified letter from the
19 Campbell & Black firm, law firm, to each of the parties,
20 wherein they are notified of this hearing.

21 Q Mr. Seltzer, have you made an estimate
22 of overhead and administrative costs while drilling this
23 well and also while producing it if it is, in fact, suc-
24 cessful?

25 A Yes. We have made the proposed cost of

1 \$4500 per month for a drilling well and \$450 per month for
2 a producing well.

3 Q Are these costs in line with what's
4 charged for other wells in the area?

5 A Yes, these are. Yes.

6 Q And is it your recommendation that these
7 figures be incorporated into any order which results from
8 today's hearing?

9 A Yes, sir.

10 Q Does Amerind seek to be designated of
11 the subject well?

12 A We request an order to designate Amerind
13 as the operator of this proposed well.

14 Q In your opinion will granting this ap-
15 plication be in the best interest of conservation, the pre-
16 vention of waste, and protection of correlative rights?

17 A Yes, sir.

18 Q Were Exhibits One through Five prepared
19 by you or compiled under your direction and supervision?

20 A Yes.

21 MR. CARR: At this time, Mr.
22 Catanach, we offer Amerind Exhibits One through Five.

23 MR. CATANACH: Exhibits One
24 through Five will be admitted as evidence.

25 MR. CARR: That concludes my

1 direct examination.

2

3

CROSS EXAMINATION

4 BY MR. CATANACH:

5 Q Mr. Seltzer, what is the predicted total
6 depth of the well?

7 A 12,000 feet.

8 Q Okay, and to --

9 A Test the Strawn formation.

10 Q Okay, I was going to ask you the well
11 location but it's on Exhibit Number Three, is that right,

12

13 510 from the east and 2020 from the north?

14 A Yes, and the 2020 is because of this
15 additional acreage up here on this lot, Lot 1.

16 Q I'm sorry, could you repeat that?

17 A The 2020 is set forth because of the
18 nature of Lot 1, which is longer north and south than it is
19 east and west.

20 MR. CARR: Because there is a
21 survey variation in the northern part of the section.

22 Q Do you happen to know how long that lot
23 is?

24 A I think I do. It's an extra 40 feet
25 long. I thought I had those (not clearly understood).

1 Q That would be 1360 feet long?

2 A Yes.

3 MR. CATANACH: That's all I
4 have of the witness. He may be excused.

5 MR. CARR: At this time we
6 call Robert Leibrock.

7

8 ROBERT C. LEIBROCK,
9 being called as a witness and being duly sworn upon his
10 oath, testified as follows, to-wit:

11

12 DIRECT EXAMINATION

13 BY MR. CARR:

14 Q Will you state your full name for the
15 record?

16 A My name is Robert C. Leibrock of Mid-
17 land, Texas.

18 Q By whom are you employed and in what
19 capacity?

20 A I'm with Amerind Oil Company as a petro-
21 leum engineer and vice president.

22 Q Have you previously testified before
23 this Division as a petroleum engineer and had your creden-
24 tials accepted and made a matter of record?

25 A Yes, I have.

1 Q Are you familiar with the proposed well
2 and the subject area?

3 A Yes.

4 MR. CARR: Are Mr. Leibrock's
5 qualifications acceptable?

6 MR. CATANACH: They are.

7 Q Mr. Leibrock, are you prepared to make a
8 recommendation to the Examiner as to a risk penalty that
9 should be assessed against Chevron as a nonconsenting in-
10 terest owner?

11 A Yes, I am.

12 Q And what is that figure?

13 A 200 percent penalty.

14 Q And upon what do you base that recom-
15 mendation?

16 A Okay, as I'm sure everyone here is
17 aware, there's been numerous testimony in this area, the
18 Shipp-Strawn area and other Strawn fields adjoining the
19 Shipp-Strawn Field, to the effect that 200 percent is a
20 reasonable penalty in this area.

21 Q Would you refer to Amerind Exhibit
22 Number Six and review that for Mr. Catanach?

23 A Yes. Exhibit Six is a structure map
24 contoured on top of the Lower Strawn Lime and showing the
25 subsurface values of all of the tests, deep tests within

1 the area.

2 As you'll note, in the proposed well
3 area there appears to be a structural nose which normally
4 we find to be encouraging for a well location, although
5 it's certainly not a definitive means for locating a well.

6 The main thing that I would like to
7 point out on this map is that there are 12 Strawn dry holes
8 and only 7 producers, several of which are considerably
9 less than prolific producers, and this ratio of producers
10 to dry holes is roughly the same as what you will find
11 throughout this Strawn trend.

12 Q In your opinion could you -- is there a
13 chance you could drill a well at this location that would
14 not, in fact, be a commercial success?

15 A Quite definitely.

16 Q Due to the nature of this formation and
17 production in the area do you consider this to be a high
18 risk venture?

19 A Yes, we do.

20 Q And you're requesting the full 200 per-
21 cent penalty.

22 A Yes.

23 Q Was Exhibit Six prepared by you?

24 A Yes.

25 Q When does Amerind plan to go forward

1 with the development of this tract?

2 A We're prepared to go forward just as
3 soon as we can after the ruling from this hearing.

4 MR. CARR: At this time, Mr.
5 Catanach, I would move the admission of Amerind Exhibit
6 Number Six.

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

9 MR. CARR: And that concludes
10 my examination of Mr. Leibrock.

11

12 CROSS EXAMINATION

13 BY MR. CATANACH:

14 Q Mr. Leibrock, the well located in the
15 north half of the northeast quarter, is that a fairly pro-
16 lific well, or do you have any knowledge of that?

17 A Yeah, we think -- it's on pump now and I
18 don't have the total production, but apparently it's pump-
19 ing about 200 barrels of oil a day and some water, which is
20 a good well, of course, but it's for this area probably
21 about average.

22 Q How about the well to the west of you,
23 the Amerind State 2?

24 A The State 2 is disappointing well. It's
25 making well under 100 barrels of oil a day and they're just

1 putting it on pump this week. Its cumulative production is
2 a little over 20,000 barrels of oil.

3 Q How about the Pennzoil Price is a rela-
4 tively new well. It's made roughly 35,000 barrels of oil
5 and appears to be a very good well, although there is some
6 question of being wet.

7 MR. CATANACH: I have no
8 further questions of this witness. He may be excused.

9 Anything further in Case 9484?

10 MR. CARR: I have an affidavit
11 simply confirming that notice has been given in accordance
12 with the Commission or Division rules. Other than that we
13 have nothing further.

14 MR. CATANACH: Do you want t
15 enter this as an exhibit?

16 MR. CARR: I don't think so,
17 Mr. Catanach. I think it can be in the file. Some
18 examiners have requested it sometimes; other examiners have
19 not.

20 MR. CATANACH: Okay.

21 MR. CARR: All the notice
22 letters are there, in fact, with return receipts.

23 MR. CATANACH: Okay, there be-
24 ing nothing further in this case, it will be taken under
25 advisement.

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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. *9484* heard by me on *September 11* 19*88*.
David R. Catamb, Examiner
Oil Conservation Division