

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

6 25 July 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Mesa Grande Resources Inc. for compulsory pooling, Rio Arriba County, New Mexico. CASE 8278

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12 BEFORE: Michael E. Stogner, Examiner

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14 TRANSCRIPT OF HEARING

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17 A P P E A R A N C E S

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20 For the Oil Conservation Division: W. Perry Pearce  
21 Attorney at Law  
22 Oil Conservation Commission  
23 State Land Office Bldg.  
24 Santa Fe, New Mexico 87501

25 For the Applicant:

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MR. STOGNER: Call next Case Number 8278.

MR. PEARCE: That case is on the application of Mesa Grande Resources, Inc. for compulsory pooling, Rio Arriba County, New Mexico.

Mr. Examiner, that case is to be continued until August the 8th, 1984.

MR. STOGNER: Case Number 8278 will be so continued.

(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 complete and correct transcript of the proceedings in the Examination of Case No. 8278, heard by me on July 25 1984.  
Michael P. Stoyne Examiner  
Oil Conservation Division

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

6 8 August 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Mesa Grande Resources Inc. for compulsory pooling, Rio Arriba County, New Mexico. CASE 8278

10  
11  
12 BEFORE: Richard L. Stamets, Examiner

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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: W. Perry Pearce  
20 Attorney at Law  
21 Oil Conservation Commission  
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  
Santa Fe, New Mexico 87501

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I N D E X

MICHAEL L. WALLACE

Direct Examination by Mr. Bruce	3
Cross Examination by Mr. Stamets	9

E X H I B I T S

Applicant Exhibit One, Plat	4
Applicant Exhibit Two, Document	5

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MR. STAMETS: We'll call next Case 8278.

MR. PEARCE: That case is on the application of Mesa Grande Resources, Inc. for compulsory pooling, Rio Arriba County, New Mexico.

MR. BRUCE: Mr. Examiner, my name is Jim Bruce from the Hinkle Law Firm in Santa Fe, representing Mesa Grande Resources, and I have one witness to be sworn.

MR. PEARCE: Are there other appearances in this matter?

(Witness sworn.)

MICHAEL L. WALLACE,  
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, city of residence, occupation and employer?

A My name is Michael L. Wallace. I live in Tulsa, Oklahoma. I am Land Manager and General Counsel for Mesa Grande Resources, Inc.

Q And have you previously testified before the OCD and had your qualifications as a landman made a mat-

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ter of record?

A Yes.

Q And are you familiar with Mesa Grande Resources' application in connection with this case and with the land ownership matters relating to the areas embraced within this application?

A Yes, I am.

MR. KELLAHIN: Mr. Examiner, is the witness considered qualified?

MR. STAMETS: Yes.

Q Would you please state for the record, Mr. Wallace, what Mesa Grande Resources seeks in this case?

A Mesa Grande Resources seeks an order pooling all mineral interests from the top of the Gavilan Mancos Pool to the base of the Dakota producing interval underlying the west half of Section 23, Township 25 North, Range 2 West, in Rio Arriba County.

MGR also seeks the consideration of the cost of drilling and completing the well and allocation of the cost of the well and the actual operating costs and charges for supervision.

Also, MGR seeks to be designated as operator and to be allocated a charge for the risk involved in drilling the well.

Q Would you please refer now to Exhibit Number One and describe this exhibit for the Examiner?

A Exhibit Number One is a plat showing a 9-

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section area with the wells, and in that area of the Gavilan Howard No. 1, which, as you can see, is in the west half of Section 23 and is outlined in yellow.

Q And are the offset operators and the ownership of the producing unit shown?

A Yes, they are. Also, with -- if you'll notice in the production key we show the different producing intervals involved with the wells in the 9-section area.

Q What is the current status of the No. 1 Gavilan Howard Well?

A The well has been completed and is producing; however, MGR has been unable to obtain the consent of all the interest owners.

Q And the number of interest owners was not really decided until a title opinion was recently completed, is that correct?

A Yes. The Hinkle Law Firm prepared a title opinion dated July 19th, 1984, and as there is a great deal of fee interest owners in the northwest quarter of Section 23, we were unable to completely determine if in fact we had had all of the interest owners, which is the reason we continued the case from the 25th of July.

Q Would you please now refer to Exhibit Number Two and describe what acreage control Mesa Grande Resources has in the area in question?

A Exhibit Number Two is divided into two what I call committed interests.

1  
2 Mesa Grande controls over 67 percent of  
3 the acreage directly and has given working interest, carried  
4 working interest to Dome Petroleum Corporation.

5 Northwest Pipeline Corporation, as shown  
6 on the exhibit, controls 18.75 percent; Dugan Production  
7 Company, 6-1/4; and A. G. Hill, 3.115 percent.

8 Q On a party by party basis would you de-  
9 scribe your efforts to obtain the commitment of the unpooled  
10 parties that are listed on Exhibit Two?

11 A Yes. Mr. Theodore A. White and Katherine  
12 V. Winter were first attempted to be contacted in November  
13 of 1982 when this well was initially planned.

14 The last known address for them was an  
15 April 14th, 1952 address in Massapequa, New York. We at-  
16 tempted to contact them there. We were unable to reach  
17 them.

18 We also further attempted to contact  
19 someone who we thought might be related to them because they  
20 had the same last name and are in a well in the adjacent  
21 section, which is also a lessor of Mesa Grande, and we found  
22 that they did not have any -- they were not related in any  
23 way.

24 For the second interest of Hazel D. Grif-  
25 fith, the conveyance was given to her on September 27th of  
1948. The conveyance read, her address was "of Tulsa".

We attempted to look through all the  
phone books in the Tulsa Public Library. I looked through

1  
2 the last seven years worth of phone books, from 1984 back  
3 there was a gap of three. Then we looked at an additional  
4 grouping of phone books and still couldn't find her listed  
5 at all.

6 There are a great number of Griffiths so  
7 we didn't bother to call every Griffith in Tulsa.

8 John E. Wilson, a very small working in-  
9 terest, he was granted his interest by Mr. Earl Trus-  
10 dale(sic) on June 30th, 1949. The address was "of Brooklyn,  
11 New York."

12 I attempted to contact every John E. Wil-  
13 son in Brooklyn, New York, of which there are seven plus one  
14 Mrs. Wilson. By telephone conversation they all informed me  
15 that they do not have an interest of any sort in any type of  
16 land in the State of New Mexico.

17 Mary Beth Harkins was attempted to be  
18 contacted at 3145 Northwest 25th Street of Oklahoma City.  
19 The conveyance was given to her October 27th, 1948. We sent  
20 a registered letter to her, which was returned in May. We  
21 attempted also to contact her and I looked in the Tulsa Pub-  
22 lic Library at the phone books for Oklahoma City over the  
23 past ten to twelve years and she was not listed.

24 Those are the efforts that we have made.

25 Q What was the approximate cost of the com-  
pleted well?

A The cost for the completed well was ap-  
proximately \$703,510.

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Q And did all the committed working interest owners agree to this cost?

A Yes, they did and signed appropriate AFE's.

Q Does Mesa Grande wish to be named as operator of the proposed well?

A Yes, we do.

Q And do you have a recommendation as to the charge for the risk involved which should be granted to Mesa Grande for drilling this well?

A Yes, I recommend the maximum allowed by New Mexico statute, which I understand is 200 percent.

Q And is that amount in line with nonconsent provisions in joint operating agreements currently being used in the area?

A Yes, it is in line with those agreements.

Q Is the proposed -- or is the expense of the well in line with the expenses which are normally expected in drilling wells to this depth in this area?

A Yes, they are.

Q Do you have a recommendation as to the amount which Mesa Grande should be paid for supervision or administrative expenses?

A Yes. I'd recommend that we be paid \$3147 per month for a drilling well and \$485 per month be allowed for a producing well.

Q Are these amounts that you have just re-

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commended in line with amounts normally charged by Mesa Grande and other operators for wells of this type in this area?

A Yes, they are. They fall directly in line with the amounts normally charged for our joint operating agreements are covering wells of this type in Rio Arriba County.

Q And have the consenting parties in this case agreed to these charges?

A Yes, they have.

Q In your opinion will the granting of Mesa Grande's application be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes, it will be.

Q Were Exhibits One and Two prepared by you or under your supervision?

A Yes, they were. They were -- Exhibit Number One was prepared directly under my supervision, wherein I gave the appropriate draftsman the information involved.

Exhibit Number Two was prepared directly by me.

MR. BRUCE: At this time, Mr. Examiner, I move the admission of Exhibits One and Two.

MR. STAMETS: These exhibits will be admitted.

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2 MR. BRUCE: I have no further  
3 questions of the witness.

4 CROSS EXAMINATION

5 BY MR. STAMETS:

6 Q Mr. Wallace, the cost for drilling and  
7 producing of \$3147 and \$485, those have been agreed to by  
8 Dome and Northwest and Dugan, et cetera?

9 A Yes, sir.

10 Q Okay. Now you said the well was com-  
11 pleted and producing. From what formation or formations?

12 A It is producing from the Mancos formation  
13 and from the Dakota formation.

14 Q And what kind of a well is it?

15 A It's an oil well. It -- it should be one  
16 of the better wells in that area. Due to the fact of the  
17 lack of gas connection we're unable at this time to produce  
18 it fully and we've gone past our sixty days, so we've --  
19 producing a very small amount.

20 But it should be quite a good producer.

21 MR. STAMETS: Any other ques-  
22 tions of the witness? He may be excused.

23 Anything further in this case?

24 MR. BRUCE: I have nothing.

25 MR. STAMETS: The case 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 complete and true record of the proceedings in the Examinatory hearing of Case No. 8278 heard by me on 8-8 1984.  
Richard H. [Signature], Examiner  
Oil Conservation Division

## NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date AUGUST 8, 1984 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
C. J. Boyce	Amoco Prod Co	Denver
H. L. Kendrick	El Paso Natural Gas Co.	El Paso, TX
Michael Z. Wallace	Major Grande Resources Inc.	Tulsa, OK
William L. Jan	Campbell + Black, P.A.	Santa Fe
GARY L. PAVLSON	Amoco Prod. Co.	DENVER
Bob Huller	Byram	Santa Fe
Jim Bruce	Hinkle Law Firm	Santa Fe
Michael C. Steyer	Amoco	Santa Fe
Tom Kelly	Pollution Control	Albany
Jack Cayias	Self	Albany
JACK T. LOWDER	ARCO OIL AND GAS CO.	MIDLAND, TX
JERRY SCRAWLOW	MINEL Inc.	Albany
W. T. Kellolin	Kellolin + Kellolin	Santa Fe
Les Clement	O. C. O.	Artesia
E. Robert Tisdale	Yates Petroleum Corp.	Artesia
Andrea Carpenter	Yates Pet. Corp.	Artesia
Jerry Sexton	YOCO	Holls.

## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date AUGUST 8, 1984 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
Mike Houston	Mesa Petroleum Co	Amarillo
George Dixon	" " "	Amarillo
Jim O'Brien	Gas Company of NM	Alb
Tommy A. Sanders	" " " "	"
J. F. Merchant	Apollo Energy, Inc.	H. Glos.
R. M. Williams	Morris R. Antweil	Hobbs
Wm. P. Aycock	Wm. P. Aycock Assoc. Inc	Mi. Aland