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I N D E X

BILL SELTZER

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GREGORY L. HAIR

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MR. STOGNER: We'll call next Case Number 9209.

MR. TAYLOR: The application of Amerind Oil Company for compulsory pooling, Lea County, New Mexico.

MR. STOGNER: Call for appearances.

MR. CARR: May it please the Examiner, my name is William F. Carr with the law firm Campbell & Black, P.A., of Santa Fe.

We represent Amerind Oil Company in this matter and have two witnesses.

MR. STOGNER: Are there any other appearances in this matter?

Will the witnesses please stand and be sworn?

(Witnesses sworn.)

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

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DIRECT EXAMINATION

BY MR. CARR:

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

A Bill Seltzer. I'm from Midland, Texas.

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

A I am an independent landman working as a consultant for Amerind Oil Company.

Q Have you previously testified before the Oil Conservation Division and had your credentials as a landman accepted and made a matter of record?

A Yes, I have.

Q Would you briefly summarize your educational background and your work experience?

A I've had 37 years of oil and gas experience. I'm a graduate of TCU and SMU.

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

A Yes.

Q Are you familiar with the area which is the subject of that application?

A Yes, I am.

MR. CARR: Are the witness'

1 qualifications acceptable?

2 MR. STOGNER: Mr. Seltzer's
3 qualifications are so accepted.

4 Q Mr. Seltzer, would you briefly state what
5 Amerind seeks with this application?

6 A Amerind Oil Company seeks an approval of
7 an order to pool all of the interest in the Strawn and the
8 Atoka formations in the west half of the southwest quarter
9 of Section 27, Township 16 South, Range 37 East, Lea County,
10 New Mexico.

11 Q And you're proposing to pool a standard
12 unit?

13 A Yes.

14 Q Where is this acreage located in regard
15 to the offsetting Strawn Pool?

16 A This acreage lies within one mile of the
17 Undesignated Casey Strawn Pool and the Northeast Lovington
18 Penn Pool.

19 Q Is it also within a mile of the West
20 Casey Strawn Pool?

21 A Yes.

22 Q And are all of these pools on 80-acre
23 spacing?

24 A Yes.

25 Q Have you prepared certain exhibits for

1 introduction in this case?

2 A Yes, I have.

3 Q Would you please refer to what has been
4 marked for identification as Amerind Exhibit Number One,
5 identify this and review it for the examiner?

6 A Exhibit Number One is a land plat showing
7 the proration unit that we wish to dedicate to this proposed
8 test well, being 660 from the west line and 2130 from the
9 south line of Section 27, 16 South, Range 37 East.

10 Q And is this proposed well to be drilled
11 at a standard location?

12 A Yes.

13 Q What is the primary objective in this
14 well?

15 A To test the Strawn formation at approxi-
16 mately 11,500 feet.

17 Q Would you now refer to what has been mar-
18 ked Amerind Exhibit Number Two, identify this, and review
19 it, please?

20 A This, Number Two, Exhibit Number Two, is
21 a list of owners setting forth the acreage that each party
22 owns and the percentage of participation factor and the cost
23 of drilling this well set out to the righthand side.

24 Also on page two is a list of the inter-
25 est owners and the acreage that each party possesses in the

1 proposed proration unit.

2 Q Mr. Selzer, at the time we filed an ap-
3 plication we advised the Commission that approximately 76
4 percent of the ownership interest in the subject proration
5 unit was voluntarily committed to the well.

6 What percentage of the acreage has now
7 voluntarily joined?

8 A We have over 90 percent of the interests
9 have voluntarily joined in participation in this well.

10 Q If you could, refer to Exhibit Number Two
11 and just advise the Commission which of these interest own-
12 ers have voluntarily joined at this time?

13 A Starting with Exhibit Number Two, of
14 course, Amerind, which we desire to have -- be designated as
15 the operator. The second one is Texaco, Enstar, Kenneth
16 Cone, Clifford Cone, Heritage Resources, PC Limited, have
17 all indicated that they will join and participat in this
18 well.

19 Q Would you now refer to what has been mar-
20 ked Amerind Exhibit Number Three, the AFE, and review the
21 information contained on that exhibit for Mr. Stogner?

22 A This is an AFE for the proposed well in
23 which we have set up a dry hole to the casing point of
24 \$275,000 and for a completed well, of \$545,000.

25 Q What is -- are these costs in line with

1 what's being charged by other operators in the area for sim-
2 ilar wells?

3 A Yes, sir, these are the same charges that
4 we have used for the other wells in this area.

5 Q Would you summarize the efforts that have
6 been made by Amerind to obtain voluntary joinder in the well
7 of all working interest owners and mineral interest owners
8 in this proposed spacing unit?

9 A We have forwarded offers to join, farm-
10 out, to all interest parties in this proration unit and of-
11 fered to join, to farm out their interest, in all the lease-
12 hold interest and the minerals by certified mail, return re-
13 ceipt requested.

14 Q Now, Mr. Seltzer, I believe there are
15 certain interest owners that we've been unable to identify.
16 In your opinion has Amerind made a good faith effort to lo-
17 cate all individuals and obtain their joinder?

18 A Yes, we have.

19 Q And Amerind has drilled other Strawn
20 wells in the immediate area?

21 A Yes, we have.

22 Q Would you identify for Mr. Stogner what
23 has been marked as Exhibit Number Four in this case?

24 A Exhibit Number Four is my letters to all
25 interest owners inviting them, each owner to join or farm

1 out their interest in this proration unit.

2 Q And the return receipts are attached?

3 A The return receipts are attached.

4 Q Now, Mr. Seltzer, would you identify what
5 has been marked as Amerind Exhibit Number Five?

6 A It is a letter from Black and Campbell's
7 office to all the interest owners giving them notice of this
8 hearing.

9 Q And to the back of it, in the back of
10 that exhibit is there also an affidavit showing that notice
11 has been given in accordance with Commission rules?

12 A Yes, sir, there's an affidavit.

13 Q Will Amerind present a witness who will
14 testify about the risk involved in drilling this well?

15 A Yes, we will.

16 Q Have you made an estimate of overhead and
17 administrative costs while drilling this well and also while
18 producing it if in fact it is a successful well?

19 A Yes, we have prepared an operating agree-
20 ment -- what was that on the risk or what, the costs?

21 Q The administrative and overhead charges.

22 A Of \$5000 per month for a drilling well
23 and \$500 per month for a producing well.

24 Q Are these charges in line with what's
25 being charged for other wells in the area?

1 A These are the same charges that we have
2 used on our other wells we have drilled in the area.

3 Q And are these figures the figures that
4 are included in the operating agreement that has been exe-
5 cuted by those who have voluntarily joined in the well?

6 A Yes, they are.

7 Q Do you recommend that these figures be
8 incorporated into the order which will result from today's
9 hearing?

10 A I do.

11 Q I believe you've stated that Amerind Oil
12 Company seeks to be designated operator of this well. Is
13 that correct?

14 A That's correct.

15 Q Would you identify for Mr. Stogner what
16 has been marked as Amerind Exhibit Number Six?

17 A Exhibit Number Six is a proposed order
18 for the Commission to compulsorily pool the unknown owners
19 and those people who have not joined for this case.

20 Q Does Amerind request that this applica-
21 tion be expedited?

22 A Yes, we do.

23 Q Mr. Seltzer, in your opinion will gran-
24 ting this application be in the best interest of conserva-
25 tion, the prevention of waste, and the protection of correl-

1 ative rights?

2 A Yes.

3 Q Were Exhibits One through Six either pre-
4 pared by you or prepared under your direction and supervi-
5 sion?

6 A Yes, they were.

7 MR. CARR: Mr. Stogner, at this
8 time we would offer into evidence Amerind Exhibits One
9 through Six.

10 MR. STOGNER: Exhibits One
11 through Six will be admitted into evidence.

12 MR. CARR: That concludes my
13 direct examination of Mr. Seltzer.

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15 CROSS EXAMINATION

16 BY MR. STOGNER:

17 Q Mr. Seltzer, on Exhibit Number Two you
18 show the listing of the owners and the unleased mineral own-
19 ers also.

20 A Yes.

21 Q Are all of these interests undivided or a
22 divided nature?

23 A They are all undivided.

24 Q Undivided, and are they both equal one
25 quarter quarter section and the other quarter quarter sec-

1 tion?

2 A Correct. They're common.

3 Q They're common. That's the word I was
4 looking for.

5 A The ownership is common throughout the
6 proration unit as to leasehold and minerals.

7 Q And you alluded to your lease agreement
8 that showed that \$5000 and \$500 overhead charges with what
9 was shown on your --

10 A Operating agreement, yes.

11 Q Operating agreement. You don't have a
12 copy of that?

13 A We do.

14 MR. CARR: We do, and I'd be
15 happy to mark that as Exhibit Number Eight if you would
16 like, please.

17 MR. CARR: Mr. Stogner, I would
18 move the admission of Amerind Exhibit Number Nine, which is
19 a copy of the operating agreement.

20 MR. STOGNER: Exhibit Number
21 Eight, you mean?

22 MR. CARR: Exhibit Number
23 Eight, I mean.

24 MR. STOGNER: Exhibit Eight, I
25 mean, will be admitted into evidence at this time.

1 I have no further questions of
2 Mr. Seltzer.

3 Are there any other questions
4 of this witness?

5 MR. CARR: I have no further
6 questions.

7 MR. STOGNER: He may be excused.

8 MR. CARR: At this time I would
9 call Mr. Greg Hair.

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GREGORY L. HAIR,

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

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DIRECT EXAMINATION

16 BY MR. CARR:

17 Q Would you state your full name for the
18 record, please?

19 A Gregory L. Hair, Midland, Texas.

20 Q By whom are you employed?

21 A I'm a consulting geologist employed by
22 Amerind.

23 Q And, Mr. Hair, have you previously testi-
24 fied before this Division and had your credentials as a geo-
25 logist accepted and made a matter of record?

1 A Yes, I have.

2 Q Are you familiar with the application
3 filed in this case on behalf of Amerind?

4 A Yes, I am.

5 Q And are you familiar with the acreage
6 which is the subject of that application?

7 A Yes.

8 MR. CARR: Are the witness'
9 qualifications acceptable?

10 MR. STOGNER: Mr. Hair is so
11 qualified.

12 Q Mr. Hair, would you just briefly summar-
13 ize your experience with the Strawn formation in this gen-
14 eral portion of southeastern New Mexico?

15 A I spent about seven years with Pennzoil
16 working in the two townships that underlie this area, all
17 the time working on the Strawn. I proposed and drilled
18 about between 16 and 18 wells in this area and have been --
19 testified before the Commission on any number of hearings
20 involving the Strawn in this area.

21 Q Are you prepared to make a recommendation
22 to Mr. Stogner concerning the risk penalty that should be
23 assessed against any interest owner which does not voluntar-
24 ily participate in the subject well?

25 A Yes, I am. I think the maximum penalty

1 of 200 percent should be imposed.

2 Q Would you refer to what has been marked
3 as Amerind Exhibit Number Seven, identify this, and review
4 the information contained thereon for Mr. Stogner?

5 A Yes. This is a structural cross section.
6 It runs through the proposed location and includes two wells
7 on either side. It roughly runs from the northeast to the
8 southwest.

9 The wells in question are the Yates Shipp
10 ZI No. 2, which is on the right; the Shipp ZI No. 3, which
11 is the next well on the right; the proposed location; the
12 C&K Shipp 28 No. 1; and the Amerind Oil Shipp No. 1.

13 The thing to note on this cross section
14 is the zone of interest is marked in blue and green in the
15 well, the Shipp ZI No. 3. Yates, when they drilled that
16 well, encountered a considerable amount of porosity, only
17 had a small column of oil with quite a column of water
18 underlying it.

19 Amerind's position here is to get up dip
20 to this well and attempt to encounter more of an oil leg.

21 The risk involved, besides the inherent
22 risk of finding Strawn in the area to begin with, is that
23 this wet reservoir covers quite an area, as near as we can
24 map it, and Amerind's well may well be near the up dip
25 terminus of that pod, or that porosity zone.

1 So the risk there could be considerable.
2 I think that there is a chance that Amerind could make a dry
3 hole here and while this would be strictly, in the strictest
4 sense a development well, in risk factor it's nearly a wild-
5 cat in risk.

6 Q Do you have anything further to add to
7 your testimony?

8 A No, I think that's all.

9 Q Was Exhibit Number Seven prepared by you?

10 A Yes.

11 MR. CARR: At this time, Mr.
12 Stogner, we offer Amerind Exhibit Number Seven into evi-
13 dence.

14 MR. STOGNER: Exhibit Number
15 Seven will be admitted into evidence at this time.

16 MR. CARR: That concludes my
17 examination of Mr. Hair.

18

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20 CROSS EXAMINATION

21 BY MR. STOGNER:

22 Q Mr. Hair, did Yates come back and perfor-
23 ate lower into that oil/water contact?

24 A In which well?

25 Q In their ZI No. 3?

1 Stogner.

2 MR. STOGNER: This case will be
3 taken under advisement.

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5 (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. 9209
heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division