

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

16 December 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Overland Energy, Inc. CASE
for compulsory pooling, San Juan County, 7742
New Mexico.

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:	W. Perry Pearce, Esq. Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
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For the Applicant:	Ernest L. Padilla, Esq. Post Office Box 2523 Santa Fe, New Mexico 87501
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I N D E X

WILLIAM SPRINGER

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MR. STAMETS: We'll call next Case 7742.

MR. PEARCE: That case is on the application of Overland Energy, Incorporated, for compulsory pooling, San Juan County, New Mexico.

MR. PADILLA: Mr. Examiner, I'm Ernest L. Padilla on behalf of the applicant. I have one witness -- or two witnesses to be sworn.

(Witnesses sworn.)

WILLIAM SPRINGER

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

DIRECT EXAMINATION

BY MR. PADILLA:

Q. Mr. Springer, will you please state your name and tell us what your connection is with the applicant?

A. My name is William Springer.

Q. You are the applicant, is that correct?

A. Yes.

Q. Can you tell us what your educational background is and your work experience in the oil and gas industry?

A. I have a degree in animal science from

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2 Oklahoma State University and I worked for two years in Norman,
3 Oklahoma as a landman for J. M. Newman and Company, and I
4 worked for a year as a landman with Caribou Four Corners,
5 Farmington, and I worked for six months for Sohio Petroleum of
6 Denver, Colorado, and now I'm presently working for Overland
7 Energy.

8 Q Can you tell us what the purpose of this
9 hearing is today?

10 A It is to force pool the northwest of the
11 northeast quarter of Section 10, Township 29 North, Range 15
12 West, in order to drill a well in the 40-acre proration unit
13 to test the Meadows Gallup formation.

14 MR. PADILLA: Mr. Examiner, we tender Mr.
15 Springer as a petroleum landman.

16 MR. STAMETS: Presidents of companies are
17 always considered qualified to testify.

18 Q Mr. Springer, you wish to be designated the
19 operator of this well, is that correct?

20 A Yes.

21 Q Would you tell us -- let's go on to what
22 has been marked as EXhibit Number One, which is a title opin-
23 ion, I believe. Can you tell us in that title opinion which
24 are the interests that are not voluntarily joined in the
25 drilling of the proposed well?

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2 A. Yes. Jerome P. McHugh and Associates of
3 Denver; Caribou Four Corners.

4 Q. Could you tell us what page of the title
5 opinion you are referring to, please?

6 A. Page two.

7 Q. Okay, would you proceed now.

8 MR. STAMETS: Hold it a second. Start over
9 from the beginning, since I can't find Jerome McHugh on here.
10 All right. Okay, Jerome McHugh and who?

11 A. Caribou Four Corners.

12 Q. Are there any other interests on that page
13 number two that are either controlled by Jerome McHugh or
14 Caribou Four Corners as shown in that title opinion?

15 A. Yes. Caribou Four Corners --

16 Q. MR. STAMETS: Excuse me, I lost my sight,
17 I guess. I can't find --

18 A. Caribou is down at the bottom.

19 MR. STAMETS: Where down at the bottom?

20 MR. PADILLA: The very last, Mr. Examiner,
21 the very last name at the bottom is controlled by Caribou
22 Four Corners.

23 MR. STAMETS: Oh, the interest identified
24 as Robert G. and Maricia Allen, and that is controlled by
25 Caribou?

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A. Yes, sir.

MR. STAMETS: Okay.

Q. Go on and tell us what other interests are outstanding or have not voluntarily joined or there's a possibility for ambiguity as to whether or not they have joined or their lands are under lease to Caribou or Jerome P. McHugh.

A. Jerome P. McHugh has 6.9 acres, as indicated there that is unleased. They have under lease an additional 6.86 acres.

Q. Which of those interests, Mr. Springer?

A. They have John St. Clair. They have a half interest in the estate of Leslie Clauson. They have Miguel Sedillo, --

MR. STAMETS: Hold it just a second.

A. That's directly under the Clauson.

MR. STAMETS: Okay, 1/2 interest, and then who was after Clauson?

A. Miguel Sedillo.

MR. STAMETS: Okay, and was that a full interest?

A. Yes.

MR. STAMETS: Okay.

A. And Manuel Elkhart.

MR. STAMETS: Okay.

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2 A. They had a Leo and Inez Seltsler (sic).
3 And a Celso Rodriguez, and V-O Contracting Company.

4 Q. Is there a Neilson interest that may be you
5 don't know of and there may be a possibility of also non-joinder
6 in that respect as to that interest?

7 A. Yes, about the middle of this there's Edwin
8 Brimhall Wright and Iona D. Brimhall.

9 And Evelyn Brimhall Neilson has inherited
10 this acreage and it is unclear to us right now as to whether
11 this acreage is held by production or Jerome P. McHugh has it
12 under lease. I have contacted Ms. Neilson and she has indicated
13 that regardless of this situation she prefers to be force
14 pooled on this.

15 Q. With respect to the interest that you have
16 pointed out as being outstanding, what has been your -- have
17 you contacted those people about joining?

18 A. Yes.

19 Q. And have they been sent a copy of the appli-
20 cation for compulsory pooling?

21 A. Yes.

22 Q. Have they been sent a copy of the AFE for
23 drilling of the well?

24 A. Yes, sir.

25 Q. Let's move on to what has been marked as

Exhibit Number Two, Mr. Springer, and tell us what that is.

A. That's a letter that I sent to Jerome P. McHugh Associates indicating that we want to drill a well in the northwest northeast quarter, indicating their interest, and the acreage in the northwest northeast quarter, and asked them what they intended to do with their acreage.

Q. Let's go on to what has marked as Exhibit Number Three. Can you tell us what that is and what it contains?

A. This is an AFE of the well for the northwest northeast quarter.

Q. What are the completion costs for a good well and a dry hole?

A. Dry hole cost of \$140,900 and a completed Cost of \$268,200.

Q. Is -- are those costs in that AFE indicative of what the costs are in the surrounding area for drilling wells today?

A. Yes.

Q. Mr. Springer, do you have a recommendation to the Examiner as to what the drilling rates for drilling a well and the producing well should be?

A. Yes, we have an overhead producing well rate of \$300 per month. We have a drilling well rate of

\$2500 per month.

Q. And in your opinion are those reasonable for the depth and type of a well that you propose to drill?

A. Yes.

MR. PADILLA: Mr. Stamets, we have no further questions of Mr. Springer. We tender Exhibits One through Three.

MR. STAMETS: The exhibits will be admitted.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Springer, I see that this drill site opinion was made on May 17, 1982, and your letter, which is Exhibit Two was not sent out till November 28th of '82.

A. Yes, sir.

Q. When did you first have any contact with those parties that are shown on page two of Exhibit One that you have told us that you don't have signed up at this time?

A. In August of '82.

Q. And what kind of a contact was that?

A. Phone call.

Q. And so in August of 1982 you contacted each of these parties or in the case of the Allens I presume you contacted Caribou.

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2 A. Caribou has been sent notice of the hearing.

3 Q. Now did you contact Caribou in August?

4 A. No.

5 Q. Who did you contact in August?

6 A. I contacted Evelyn Brimhall Neilson and a
7 Jerome P. McHugh.

8 Q. How about the John A. St. Clair interest?
9 When were they first contacted?

10 A. They have not been contacted. They're under
11 lease to Jerome P. McHugh.

12 Q. All right. Let's just go down this list.
13 How about Leslie B. Clauson?

14 A. No, she is under -- half interest in that
15 estate is under lease to Jerome P. McHugh, too.

16 Q. Okay, and Sedillo?

17 A. Same.

18 Q. McHugh?

19 A. Yes.

20 Q. Elkhart?

21 A. The same.

22 Q. Shusler?

23 A. It's the same.

24 Q. Rodriguez?

25 A. Yes.

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Q. And Sedillo?

A. Yes.

Q. Now did you say that Caribou had not been contacted?

A. They have been sent a letter by Sumner Buell indicating of the hearing here on the well.

Q. Why have you not contacted them as you did Mr. McHugh and the Neilson interest?

A. Well, mainly because we had been indicated that they weren't interested in joining in by third parties and it is my understanding that -- that they weren't interested in this and that a letter noticing of the hearing would be sufficient.

MR. PADILLA: Have you, Mr. Springer, have you heard from them since you sent them notice of the hearing?

A. No.

MR. STAMETS: We'll be off the record for a minute, Sally.

(Thereupon a discussion was had off the record.)

MR. STAMETS: We'll go back on the record. Mr. Padilla or Mr. Springer, will you fur-

1
2 nish us subsequent to today's hearing a demonstration of con-
3 tact with Caribou and an expression of their interest voluntary
4 agreeing or not?

5 A. Yes.

6 MR. PADILLA: I have no further questions of
7 this witness, Mr. Examiner.

8 MR. STAMETS: Any other questions of Mr.
9 Springer? He may be excused.

10 MR. PADILLA: Call Mr. Denny Foust at this
11 time, Mr. Examiner.

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13 DENNY FOUST

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

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17 DIRECT EXAMINATION

18 BY MR. PADILLA:

19 Q. Mr. Foust, for the record would you please
20 state your name and where you are employed?

21 A. My name is Denny Foust. I'm a consulting
22 geologist, located in Bloomfield, New Mexico.

23 Q. Mr. Foust, have you previously testified
24 before the Oil Conservation Division and had your credentials
25 accepted as a matter of record?

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A. Yes, sir, I have.

Q. Are you familiar with the formation under consideration today?

A. Yes, I believe so.

Q. Are you familiar with the purpose of the hearing today?

A. Yes, I am.

MR. PADILLA: We tender Mr. Foust as an --

MR. STAMETS: He is considered qualified.

MR. PADILLA: -- expert geologist.

Q. Mr. Foust, would you please tell us with respect to Exhibit Number Four what it is and what it contains?

A. Exhibit Number Four is an interpolation of the SP curves through what has been identified as the "C" zone of the so-called Gallup Sands in the Fruitland, New Mexico area.

This is the sandiest development or the thickest sand in the Gallup in that area, and based on approximately seven to ten units of deflection on the SP curve, we've come up with some thickness of the sand in the area, utilizing the well control which was present.

The proposed Overland Energy Brimhall No. 1 Well, which is located in the northwest northeast of Section 10 would expect to encounter something in excess of 25 feet

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2 of this tight sand. The reservoir here runs about 8 percent
3 porosity and is enhanced a great deal by fractures, and the
4 production is spotty in the area due to the presence and ab-
5 sence of these fractures and the ability of completion tech-
6 niques to open these fractures up for production.

7 Q. Could you tell us something about the pro-
8 duction of these wells in the surrounding area or in the area
9 offsetting the proposed location?

10 A. The well which has produced in the area for
11 a substantial period is the Roy L. Owindella (sic) Well, which
12 is in Section 3 in the southeast southeast. It's produced
13 for approximately six years and had a total cumulative of
14 just over 19,000 barrels of oil, and some additional wells
15 in the Meadows Gallup have produced up to 40,000 barrels of
16 oil over a 20-year period.

17 The newer wells in the area initially came
18 on for anywhere from 25 to 50 barrels and have declined to
19 production figures of about 15 barrels per day.

20 Q. Mr. Foust, on the basis of your testimony
21 are you -- can you make a recommendation as to a penalty for
22 the nonconsenting interest owners?

23 A. I feel that due to the fractures that are
24 present and necessary to enhance the reservoir that each loca-
25 tion is, to a certain degree, a wildcat well, and would recom-

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2 mend that a 200 percent penalty be granted, plus the cost of
3 the well.

4 Q Do you have anything further to add to your
5 testimony, Mr. Foust?

6 A No, sir, I don't believe so.

7 MR. PADILLA: Mr. Examiner, we have nothing
8 further and I would tender Exhibit Number Four.

9 MR. STAMETS: The exhibit is admitted.

10 Are there any questions of the witness? He
11 may be excused.

12 Anything further in this case?

13 The case will be taken under advisement.

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15 (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 Conserva-
tion 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

SALLY BOYD, C.S.R.

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I do hereby certify that the foregoing is
a complete and correct transcript of the hearing in
the (22) (22) (22) (22) (22) (22) (22) (22) (22) (22)
heard by me on 12-19-82 No. 2742-
Richard L. Lane Examiner
Oil Conservation Division