

IN THE MATTER OF:)
)
APPLICATION OF OXY U.S.A. INC.)
FOR COMPULSORY POOLING, EDDY) CASE NO. 10200
COUNTY, NEW MEXICO,)
)
)
)

HUNNICUTT REPORTING
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I N D E X

January 10, 1991
Examiner Hearing
Case No. 10200

PAGE

APPEARANCES

3

APPLICANT'S WITNESSES:

DALE SELTZER

Direct Examination by Mr. Carr

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Examination by Mr. Stovall

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APPLICANT'S EXHIBITS:

MRKD

ADMTD

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A P P E A R A N C E S

BEFORE: DAVID R. CATANACH, Hearing Examiner

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT: CAMPBELL & BLACK, P.A.
Attorneys at Law
BY: WILLIAM F. CARR, ESQ.
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1 EXAMINER CATANACH: At this time, we'll call case 10200.

2 MR. STOVALL: Application of Oxy USA Inc. for compulsory
3 pooling, Eddy County, New Mexico.

4 EXAMINER CATANACH: Are there appearances in this case?

5 MR. CARR: May it please the examiner. My name is
6 William F. Carr with the law firm Campbell & Black, P.A. I
7 represent Oxy USA Inc., and I have one witness.

8 EXAMINER CATANACH: Any other appearances? Will the
9 witness please stand to be sworn in.

10 (Witness sworn.)

11 MR. CARR: May it please the examiner on July 25th, 1990,
12 Oxy appeared before you in case 10010, sought and obtained an
13 order approving the east half of Section 29, Township 21
14 South, Range 27 East, the same acreage involved in this case.
15 At the time of that hearing, Oxy pooled certain identified
16 interest owners that at that time they had not been able to
17 reach voluntary agreement concerning the development of the
18 tract.

19 Since that time, one interest owner has failed to
20 execute a lease that they had originally agreed to sign, and
21 we sit in the position of having an order that pooled all
22 mineral interests. However, we have one party who did not
23 receive notice of that hearing, and there's a question as to
24 whether or not they might not at a subsequent time be able to
25 challenge the order and the commitment of this tract.

1 For that reason, we have filed the case that is
2 before you today. And what we are seeking is, in effect,
3 again an order that will pool these lands and bring in this
4 one one-quarter-acre tract that sits in this neither fish nor
5 foul posture as best we can tell. And to be certain that
6 everybody is in, we brought the case back to you. For that
7 reason, we request that the record in case 10010 be
8 incorporated into these proceedings because we do not intend
9 to once again present the identical technical case that we
10 presented at that time.

11 I will call Mr. Seltzer as a witness. Mr. Seltzer
12 will review his efforts to obtain voluntary joinder. And we
13 will ask that you enter either a new order or an amended order
14 so that we can be certain that this interest is pooled.

15 EXAMINER CATANACH: Case 10010 will be incorporated into
16 this record.

17 DALE SELTZER
18 the Witness herein, having been first duly sworn, was examined
19 and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. CARR:

22 Q. Would you state your full name for the record,
23 please.

24 A. Dale Seltzer.

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

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1 capacity?

2 A. I'm employed by Oxy USA as a land consultant.

3 Q. Have you previously testified before the Oil
4 Conservation Division and had your credentials as a land
5 consultant --

6 A. Yes, I have.

7 Q. -- made a matter of record?

8 A. Yes.

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

11 A. Yes, I am.

12 Q. And you're familiar with the proposed pooling of
13 this additional interest?

14 A. Yes.

15 MR. CARR: Are the witness's qualifications acceptable?

16 EXAMINER CATANACH: They are.

17 Q. (By Mr. Carr:) Could you state for Mr. Catanach
18 exactly what it is Oxy seeks in this proceeding?

19 A. Oxy seeks an application to compulsorily pool all
20 of the mineral interests from the base of the Wolfcamp to the
21 base of the Morrow formation underlying the east half of
22 Section 29, Township 21 South, Range 27 East, Eddy County, New
23 Mexico.

24 Q. Have you prepared exhibits for presentation in this
25 hearing?

1 A. Yes, we have.

2 (Applicant's Exhibit No. 1 was
3 marked for identification.)

4 Q. Would you refer to what has been marked for
5 identification as Oxy USA Inc., Exhibit Number 1. Identify
6 this exhibit, and review it for the examiner.

7 A. This Exhibit 1 is the first proposed location. And
8 I'd like to point out the original well was 1980 feet from the
9 south line and the east line, and you'll see it noted there as
10 the Simpson A 2. That well was spudded and due to cavernous
11 materials right under the surface, the rig would not stable.
12 And they moved the location 100 feet south to the A 2 Y well.

13 Again, that was shown to be 1980 from the south
14 and -- excuse me, 1880 from the south, 1980 from the east.
15 Again, this well encountered cavernous material under the
16 surface and the rig -- the surface would not hold the rig up.
17 So we moved the location up to the original well which is the
18 Simpson A 2 well back in the northeast quarter, and we're
19 going to diagonally drill it back down to a legal location in
20 what would be in the north half of the southeast quarter.

21 Q. And the current surface location is 1980 from the
22 north and 810 feet from the east line?

23 A. That's correct.

24 Q. And the acreage shown on Exhibit Number 1 is in
25 fact the proration unit which you're proposing be pooled?

1 A. Yes.

2 Q. What is the yellow square?

3 A. The yellow square is the acreage which we are
4 pooling or we did not secure voluntary joinder on this well
5 that had .25 on an acre.

6 Q. And has the directional drilling portion of this
7 case been presented to the Division by an administrative
8 application?

9 A. Yes, it has.

10 Q. And that was by letter dated December the 14th,
11 1990?

12 A. That's correct.

13 Q. What is the primary objective in the proposed well?

14 A. To test the Morrow formation.

15 Q. And could you identify for Mr. Catanach the
16 particular interest that you're seeking be pooled in this
17 proceeding today.

18 A. The interest to be pooled is a quarter of an acre
19 owned by Arselia G. Ogas and her husband Robert Ogas, being a
20 tract of land, let me describe it as the south 77.75 acres of
21 the east 141.5 acres of Lot 6, Lot 25 of the La Huerta
22 subdivision in Section 29, Township 21 South, Range 27 East,
23 and that's set out in the proposed oil and gas lease which I
24 forwarded to those people.

25 Q. Now Mr. and Mrs. Ogas were not given notice of the

1 July hearing; is that correct?

2 A. That's correct.

3 Q. And why was that not done?

4 A. Because they had agreed to execute an oil and gas
5 lease and an oil and gas lease was forwarded to them, but they
6 have failed to execute.

7 Q. At the time of the hearing, you felt you had an
8 agreement with them to execute the lease?

9 A. Yes, I did.

10 Q. And the acreage involved in this hearing today was
11 pooled by order number R-9247?

12 A. That's correct.

13 (Applicant's Exhibit No. 2 was
14 marked for identification.)

15 Q. Let's go now to what has been marked as Exhibit
16 Number 2. I'd ask you to identify that and then review that
17 for Mr. Catanach.

18 A. Exhibit Number 2 is the AFE for the drilling of the
19 directional, the original hole and the directional hole. As
20 in the previous case, we had approved a AFE for \$755,500 for a
21 completed well in the Morrow. Due to the fact that they lost
22 the two holes, they expended \$360,950 on those two holes which
23 I previously pointed out to you that they lost. Then they go
24 back up to the original hole and reenter it and directionally
25 drill it to the standard location down in the north half of

1 the southeast quarter. When you add those two costs together,
2 we come up with a total cost of \$1,112,890.

3 Q. These are actual costs for drilling this well?

4 A. These are actual costs at this time.

5 Q. Can you review for Mr. Catanach the efforts you
6 made to obtain the joinder of the Ogas interest in this
7 venture?

8 (Applicant's Exhibit No. 3 was
9 marked for identification.)

10 A. In July, I have personally talked to Gilbert Ogas,
11 a son of Arselia. And he informed me that his sister-in-law
12 Dora Ogas was on all the properties and to write them a letter
13 and send them a lease. I received a call from Dora Ogas in my
14 office on August the 16th. And on my Exhibit 3, you see that
15 I had forwarded to the Ogases a letter, check, and an oil and
16 gas lease. I did not receive any response from them.

17 And then again, I followed up on August the 19th,
18 asking them to respond to my -- where my lease was, and again
19 without any response. I followed this up again on October the
20 3rd and again on October the 19th, I believe. The latter two
21 by certified mail, return receipt, which is stated in my
22 exhibits.

23 Q. In your opinion, have you made a reasonable effort
24 to obtain their voluntary joinder?

25 A. I think I have.

1 Q. And Exhibit 3 contains all letters that reflect
2 your efforts to obtain a lease or otherwise bring them into
3 this venture on a voluntary basis?

4 A. That's correct.

5 (Applicant's Exhibit No. 4 was
6 marked for identification.)

7 Q. Is Exhibit Number 4 an affidavit showing that
8 notice of today's hearing has been provided to Mr. and Mrs.
9 Ogas?

10 A. That's correct.

11 Q. Mr. Seltzer, the previous order provided for an
12 overhead and administrative cost of \$550 a month while
13 drilling the well and \$1500 a month while producing it. Does
14 Oxy request that the Ogas interest be brought in under the
15 same terms as were included in the original order?

16 A. Yes, we do.

17 Q. And you would request the same overhead and
18 administrative rates?

19 A. Yes.

20 Q. Does Oxy again seek to be designated operator of
21 this well?

22 A. Yes.

23 Q. And they would request that the same penalty
24 provisions based on the prior testimony be imposed?

25 A. Yes.

1 Q. In your opinion, will granting this application be
2 in the best interests of conservation, the prevention of
3 waste, and the protection of correlative rights?

4 A. Yes

5 Q. Were Exhibits 1 through 4 either prepared by you or
6 compiled under your direction and supervision?

7 A. Yes, they were.

8 MR. CARR: At this time, Mr. Catanach, we would move the
9 admission of Oxy Exhibits 1 through 4.

10 EXAMINER CATANACH: Exhibits 1 through 4 will be admitted
11 as evidence.

12 (Applicant's Exhibits Nos. 1 through 4
13 admitted into evidence.)

14 MR. CARR: That concludes my direct examination of Mr.
15 Seltzer.

16 MR. STOVALL: Mr. Carr.

17 MR. CARR: Mr. Stovall.

18 MR. STOVALL: Now that we know each other, looking at the
19 advertisement for the case, it appears that it was advertised
20 for the --

21 MR. CARR: The original one?

22 MR. STOVALL: -- A 2 Y, is that correct, which is in the
23 south southeast quarter of 29, 1880 from the south line and
24 1980 from the east line?

25 MR. CARR: I'm having a hard time finding it, Bob. Yes.

1 MR. STOVALL: Let me ask Mr. Seltzer a couple questions
2 first.

3 EXAMINATION

4 BY MR. STOVALL:

5 Q. When was the original A 2 attempted? When was that
6 spudded and then abandoned?

7 A. I don't think I can give you the correct -- the
8 exact date, Mr. Stovall. But it was probably in September.

9 Q. And then did they just skid a rig down to the A 2 Y
10 location?

11 A. Yes. And I believe they asked for supplemental
12 emergency orders which were in December, doing -- then it was
13 skidded down, and then they had that trouble again. And then
14 they come back and asked your office for an emergency order to
15 use the original hole up there in that northeast quarter to
16 directionally drill it down there.

17 MR. STOVALL: When was the application in this case
18 originally filed in this particular pooling? Do you know, Mr.
19 Carr?

20 MR. CARR: In this particular case, the application was
21 filed on December the 18th.

22 MR. STOVALL: I think -- I'll express my feeling and then
23 let you respond, Mr. Carr, on that issue -- that because this
24 is a forced pooling case and we're not dealing with any rates
25 or interest which may be -- do you need to put that in,

1 Debbie? -- because we're not dealing with anything that the
2 location really affects. I mean, I'm trying to say that the
3 use of the location in the advertisement is not critical to
4 notice. Would you agree with that?

5 MR. CARR: I agree with that.

6 MR. STOVALL: So I would suggest that it would not have
7 to be continued because of the change in well location from
8 the advertisement because it simply doesn't affect the rights
9 of the parties that are in the nature of the case.

10 EXAMINER CATANACH: Mr. Carr, have you actually received
11 approval for the directional drilling portion?

12 MR. CARR: No, we have not at this time. We've filed an
13 administrative application. It was filed on the 14th of
14 December.

15 MR. STOVALL: Again, when was this forced pooling
16 application filed?

17 MR. CARR: This was filed on the 18th. The application
18 for directional drilling, I believe, was filed by letter dated
19 the 14th. I did not do that. That came directly out of Oxy.
20 Yes, that's right. It's a letter to Mike Stogner dated
21 December the 14th, and it's requesting administrative approval
22 for directional drilling.

23 MR. STOVALL: Just out of curiosity, how come the forced
24 pooling application didn't reflect the actual location?

25 MR. CARR: I have no idea. I didn't know they even were

1 directionally drilling the well until yesterday afternoon.

2 MR. STOVALL: And you filed the application for the
3 forced pooling; is that correct?

4 MR. CARR: For the forced pooling, but not for the
5 directional drilling portion of the case. And waiver letters
6 were sought. This may be inaccurate, but I have copies of
7 letters seeking waivers dated October the 23rd --

8 MR. STOVALL: On the --

9 MR. CARR: -- just to confuse everybody.

10 EXAMINER CATANACH: For the directional drilling?

11 MR. STOVALL: Again, I'm still inclined to believe
12 that --

13 MR. CARR: Yes, for the directional drilling.

14 MR. STOVALL: -- because this is a forced pooling and
15 these people are being prorated into a well in the east half
16 of Section 29 that identifying the exact location of the well
17 is not critical to notifying them of the nature of the rights
18 being affected would be my reaction.

19 Q. (By Mr. Stovall:) Mr. Seltzer, do you know and are
20 you able to speak for Oxy on the question of in terms of the
21 well costs? Are the two attempted vertical wells which were
22 unsuccessful, are they being included in those well costs? Is
23 that the number you agree with, that million dollar number?

24 A. Yes. Those are the Exhibit 2, I believe, which set
25 those out.

1 Q. Let me go over those with you for a minute, if I
2 could. What is the original AFE which has been approved, for
3 the record?

4 MR. CARR: That is the second page.

5 A. Second page.

6 MR. CARR: With the total of \$755,500, and that is the
7 AFE figure that was presented at the July 25th hearing.

8 MR. STOVALL: Now it references the A 2 and the A 2 Y; is
9 that --

10 MR. CARR: Uh-huh.

11 Q. (By Mr. Stovall:) Why does it reference two wells?

12 A. That's the one that came down, skid the rig.

13 Q. So this AFE was after the rig was skidded off the
14 Number 2 and to the 2 Y location; is that correct?

15 A. This is a supplemental AFE. See, the prior AFE was
16 755,000.

17 MR. STOVALL: Right. And I'm looking at that one.
18 Excuse me. Let's stop right here for a moment. I assume it's
19 page 2 of Exhibit 2; is that how it's identified? Is that how
20 you identify it?

21 MR. CARR: Yes.

22 Q. (By Mr. Stovall:) It's an AFE on City Service Oil
23 and Gas, 4/18/90, total completed well costs 755,5; right?

24 A. Correct.

25 Q. At the top, it identifies the well as the Simpson A

1 Number 2 and Number 2 Y?

2 A. Correct.

3 Q. And then it refers to the location of 1980 south
4 and east. I'm curious why it's got both? Has that well
5 designation been revised since the 4/18 date? I mean, was the
6 2 Y proposed at that time? I'm trying to figure out how we
7 get from this -- the 755 is before anything was done; right?

8 A. 755 was what was the testimony in the previous case
9 in July which you all issued an order on. Of that 755, they
10 spent \$360,950 on the one well and the skidding down doing the
11 other one.

12 Q. My question is then, Back in April of 1990, when
13 this AFE was prepared evidently, how come it references the 2
14 and the 2 Y? Do you know as you look at the top of that form?

15 A. I see that data, sir. I can't answer it.

16 Q. So then if I go back to the first page -- since we
17 don't know the answer to that, let's go back to the first page
18 of Exhibit Number 2. And this is a supplemental for those
19 wells. Again, it identifies the A Number 2 and the 2 Y; is
20 that correct?

21 A. The revised estimate, the third figure on the
22 right-hand column over here, was the actual cost of 360,950
23 bucks.

24 Q. Let me see where you are here.

25 A. Right here.

1 MR. CARR: First page, Exhibit 1.

2 A. First page.

3 Q. (By Mr. Stovall:) Under the --

4 A. No, no.

5 Q. Under the column labeled Total and across from the
6 increase/decrease in CI estimate; is that the number you're
7 talking about?

8 A. Revised estimate.

9 Q. Okay. Got you.

10 A. Do you see that?

11 Q. Right.

12 A. That was the cost that they encountered on the
13 original well and then when they skidded the rig 100 feet
14 south and encountered the same conditions.

15 Q. And then what it shows is a decrease because it's
16 actually below the AFE for those wells in the first place, but
17 it's also not a completed well; is that correct?

18 A. No, it's not completed. We just lost that. And
19 then go over to supplemental 2, Mr. Stovall.

20 Q. Okay. Supplemental 2. Got you.

21 A. Look at the revised estimate of \$751,940.

22 Q. Okay.

23 A. You add those two together, and you come up with
24 \$1,112,890. That's what they have spent to date.

25 Q. Okay. The 360,000 plus the 751,000?

1 A. Yes.

2 Q. Okay. And so in terms of determining well costs,
3 the one million figure is the number that --

4 A. Yes.

5 Q. -- Oxy would expect to use unless it's challenged?

6 A. Yes.

7 Q. Overturned. Okay.

8 A. Yes. But that's actual cost.

9 EXAMINER CATANACH: The directional, the 22 well has
10 already been directional drilled?

11 THE WITNESS: Yes. And they're in the process of trying
12 to complete it. They have an indication that it might go up.

13 Q. (By Mr. Stovall:) Mr. Seltzer, let me get into a
14 little more general area in the line of questioning. You've
15 been doing some title work for land work for a few years; is
16 that not correct, if I remember your qualifications?

17 A. Yes.

18 Q. And you're also, if I remember correctly, you're a
19 licensed attorney in the state of Texas; is that correct?

20 A. Correct, yes.

21 Q. And have you done title opinion work as an
22 attorney?

23 A. Yes.

24 Q. And you are in fact familiar with the sort of
25 standard language of an OCD forced pooling order?

1 A. Yes.

2 Q. Are those orders normally recorded in your opinion
3 as a layman or your experience?

4 A. Not necessarily.

5 Q. This problem is you're here today because an order
6 was entered which -- was the order entered in standard --

7 A. Yes.

8 Q. -- OCD terminology?

9 A. Uh-huh, uh-huh.

10 Q. And that order says something to the effect of
11 pooling all interests --

12 A. Yes.

13 Q. -- ascribed to the formation? But in fact the
14 order didn't pool all interests; is that what you're saying?

15 A. This was an interest that I did not include in the
16 original application because I was told that they were going
17 to sign a lease and send it in. They did not do so. So in
18 order to correctly come back and pool all of these interests,
19 we make a new application to include the Ogas family.

20 Q. Let me explain to you clearly. I'm not
21 particularly questioning what you've done or what's Oxy done
22 in this case. I'm more looking at the nature of our orders
23 and seeing how it affects the title. When I look -- how can
24 you determine what interests are pooled if you look at an OCD
25 order as a title examiner?

1 A. The title examiner has to go to the record. And
2 from this one, we have testimony here to the fact that the
3 Ogas has a quarter of an acre.

4 Q. And you --

5 A. And we're in the La Huerta subdivision which is in
6 the north side of Carlsbad in small lots.

7 Q. Again, you know, I'm not particularly concerned
8 about the particular details of this title. And I understand
9 that what in effect happened is that a forced pooling order
10 was issued --

11 A. Yes.

12 Q. -- as a result of the hearing that the Ogas
13 interest did not receive notice of that hearing. And
14 therefore, it is your opinion that that interest was not
15 actually pooled by that order because they did not have notice
16 of the hearing; is that correct?

17 A. By the first order.

18 Q. By the first order?

19 A. Correct. You're correct.

20 Q. Now I'm asking you if you as a landman, an
21 attorney, and title examiner looked at a forced pooling order,
22 not necessarily this one with which you have some more
23 detailed familiarity, but if you look at a forced pooling
24 order and it says, Pools all interest, are you comfortable
25 that that is in fact true if you were doing, say, a division

1 order title opinion for a company? Would you be satisfied
2 that the language of that order setting a pool does in fact do
3 so?

4 A. I would require additional information to the fact,
5 What does this order include? What interests are we
6 compulsory pooling? Who are they, and where are they located?
7 Then you can make your division order say that you get a well.
8 Then you can write a division order title opinion.

9 Q. And how are you going to make that determination?

10 A. Well, I know of my own knowledge and if I had
11 somebody that was working for me come in and say I want a
12 division order title opinion on this particular land, I'd
13 expect that landman to bring me enough information so I would
14 know what order would be compulsorily pooled and what interest
15 that would cover.

16 Q. Would it be -- let me back up and ask a question
17 first. In order to get that information, is it then necessary
18 for that landman to actually come to the OCD and look at the
19 case files?

20 A. No. He would know that under his own knowledge
21 because he's going to bring me the abstracts.

22 Q. I think we're missing. What's the abstract going
23 to show you as far as the interests that are pooled? How are
24 you going to determine that? You're going to look at the
25 abstract and decide who owns what fraction in this proration

1 unit; correct?

2 A. Yeah, uh-huh.

3 Q. And then you're going to issue an opinion which
4 says that these interests are effectively committed or not
5 committed to the proration unit; is that correct?

6 A. Yes.

7 Q. If a pooling agreement covers all the interests of
8 pooling and communitization, then you know that in fact they
9 have all voluntarily joined and that's of record; correct?

10 A. Yes.

11 Q. If there is not a pooling agreement or if the
12 pooling agreement does not cover all of the interests which
13 you have identified within the proration unit, how are you
14 going to determine whether or not those interests are properly
15 committed and joined in the well and entitled to share in
16 production?

17 A. Well, you're going to look at each particular
18 tract. And you will either have an oil and gas lease or
19 you're not going to have an oil and gas lease. And if you do
20 not have an oil and gas lease, then you're going to inquire,
21 Well, where does his interest come in? Is it in under the
22 compulsory pooling order? Then you're going to have to go
23 back and see if that compulsory pooling order cited that party
24 and that interest was pooled under that given order.

25 Q. And the only way you're going to be able to do that

1 as the orders are currently written is to actually examine the
2 OCD file and determine who received notice and was made a
3 party to the forced pooling action; is that correct?

4 A. Probably, right.

5 Q. Would it be beneficial to identify parties who are
6 subject to the order or who are under the jurisdiction of the
7 OCD and who have received notice and are therefore subject to
8 the order if they don't otherwise --

9 A. Well, now you go back. You issue an order. And
10 then I have 30 days after that order is issued to give these
11 people an opportunity to come forth within 30 days and pay
12 their proportionate part. This is A, B, C and D. They have
13 30 days to voluntarily put their money up and go ahead and do
14 it. If they don't do it, then they're pooled. You know from
15 that, from those people, A, B, C and D, whether or not they're
16 going to join or not.

17 Q. Let me back you up right now. I think you're
18 jumping ahead and assuming some knowledge which may not be
19 there. Do you look at an OCD order for forced pooling
20 interest, it doesn't identify any parties, does it, who are
21 pooled?

22 A. The application does.

23 Q. I'm talking about the order.

24 A. No, it doesn't.

25 Q. Would it be useful to you as a landman and as a

1 title examiner if the order in some manner identified by name
2 specific parties who are covered by that order?

3 A. It probably would, but you have access to this file
4 of which we have cited in this particular case of the Ogases
5 and the other people in the previous occasion. I know from
6 that.

7 Q. Are you just as happy coming and looking at the
8 file, or would you rather have the order identify the parties
9 who are pooled? Who are subject to the order, let me say
10 that, not necessarily who are pooled, but who were subject to
11 the order.

12 A. Yeah, it would be helpful.

13 Q. And then the order, I mean, I think the order now
14 contains a provision that if you voluntarily join, then you're
15 no longer subject to the order. In that situation, could you
16 then, say, back in June or July or whenever the original
17 application was filed, file and include, give notice to the
18 Ogas family, their interest would be listed, their name would
19 be listed, and then if they'd give you a lease, the order
20 could contain a provision that says if they voluntarily join
21 or lease or do whatever, then they are no longer subject to
22 the terms of the order?

23 A. Yes, it could be, but we have that same thing in
24 those files.

25 Q. I'm sorry. Say that again.

1 A. We have the same thing in the application of A, B,
2 C, D and the Ogases. So you're trying to put the A, B, C, D
3 in your order; is that what you're getting at?

4 Q. Yes.

5 A. Well, it could be. It could be helpful.

6 MR. STOVALL: I don't have any further questions. I
7 would like to talk to you after the hearing at some point.

8 THE WITNESS: But it could work both ways, and maybe you
9 got the wrong people. So you have to go back to your title
10 examiner, see what he wants. If he's comfortable with what
11 that landman has brought him, then he won't have any problem.

12 MR. STOVALL: Yeah, I would like to discuss with you
13 subsequent to the hearing just for informational purposes. It
14 has nothing to do with this case, so I won't go any further
15 with it in this case. I have no further questions.

16 EXAMINATION

17 BY EXAMINER CATANACH:

18 Q. Mr. Seltzer, have any of the original parties that
19 were pooled in the original case, have they have subsequently
20 joined in the well?

21 A. No, they haven't.

22 Q. They have not. Have those parties been provided
23 the revised AFEs for the total cost of the one million?

24 A. No, they have not.

25 Q. So their share of the well costs will be taken out

1 of the total costs which will be over a million dollars now?

2 A. Yes.

3 Q. But they have not been notified --

4 A. No.

5 Q. -- of this? Under the terms of the new pooling
6 order or the amended pooling order, the Ogas will be given
7 another chance to join in the well. Do you see that
8 happening?

9 A. No.

10 MR. STOVALL: Mr. Carr, there's a question which Mr.
11 Catanach and I would like to check with respect to the
12 original order. That's the AFE costs on this. And I'd like
13 to recommend that that we leave the record open for the time
14 being, and I think we can resolve the question even during the
15 next break for that matter. And then there may be some
16 questions we want to ask Mr. Seltzer based upon that
17 information. But I think at the moment, I'd like to leave the
18 record open and then take it under advisement later in the
19 day.

20 MR. CARR: Our intention is simply to bring the Ogas
21 interest in. It probably is more in the nature of a notice
22 problem as it relates to Oxy, although it does obviously raise
23 the general question about compulsory pooling orders that
24 you've raised. The intent of Oxy is to be able to bring the
25 Ogas interest in under the same terms as if they had been

1 named in the original proceeding. And that's all we're trying
2 to do to assure that at some later date there isn't some extra
3 exposure that may work from any activity on the particular
4 one-quarter acre in which they have an interest. The one way
5 to assure that that happens is to simply come back and bring
6 them in. And that's all we're trying to do.

7 MR. STOVALL: Can you provide us with a copy of the
8 original order?

9 MR. CARR: Yes, we have that somewhere.

10 MR. STOVALL: We'll dig it out of the book or whatever.

11 MR. CARR: No, I have it with me.

12 MR. STOVALL: And let's go ahead and conclude this for
13 the moment and move on. We'll look at that and come back.
14 I'd say probably not very long.

15 (A discussion was held off the record.).

16 Q. (By Mr. Stovall:) Let's move right into it. I
17 found the language right now. Let me express, Mr. Seltzer,
18 here first a concern that we've got is that in the original
19 forced pooling case, you have an approved AFE for 755,000.

20 A. Correct.

21 Q. And that was the estimated number under which the
22 parties were pooled?

23 A. Correct.

24 Q. Do you know whether they were provided with an AFE
25 after the order was issued, after order R-9247 was issued?

1 A. Yes, they were provided.

2 Q. They were given the appropriate notice under that?

3 A. Yes. And your office was given a copy of that
4 information.

5 Q. And now are you saying that in effect this well has
6 not yet been completed?

7 A. That's right.

8 Q. And is it Oxy's intent to provide actual well costs
9 to all interest owners?

10 A. Yes.

11 Q. Okay.

12 A. It's unfortunate that they have run over that
13 estimate, but they're conditions that we don't have any
14 control over.

15 MR. STOVALL: I think that does take care of what we
16 need.

17 EXAMINER CATANACH: Is there anything further in this
18 case?

19 MR. CARR: Nothing further.

20 EXAMINER CATANACH: Case 10200 will be taken under
21 advisement.

22 (The foregoing hearing was adjourned at the approximate
23 hour of 11:30 a.m.)

24 I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10200,
25 heard by me on January 10 1991.

David R. Catanach, Examiner

HUNNICUTT REPORTING Division
DEBORAH F. LAVINE, CCR, RPR

1 STATE OF NEW MEXICO)
2) ss.
3 COUNTY OF SANTA FE)

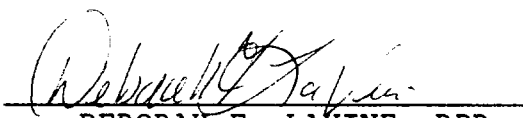
4 REPORTER'S CERTIFICATE

5
6 I, DEBORAH F. LAVINE, RPR, a Certified Court
7 Reporter and Notary Public, DO HEREBY CERTIFY that I
8 stenographically reported these proceedings before the Oil
9 Conservation Division; and that the foregoing is a true,
10 complete and accurate transcript of the proceedings of said
11 hearing as appears from my stenographic notes so taken and
12 transcribed under my personal supervision.

13 I FURTHER CERTIFY that I am not related to nor
14 employed by any of the parties hereto and have no interest in
15 the outcome hereof.

16 DATED at Santa Fe, New Mexico, this 11th of
17 February, 1991.

18
19
20
21
22 My Commission Expires:
23 August 6th, 1993


DEBORAH F. LAVINE, RPR
Certified Court Reporter
CCR No. 252, Notary Public

24
25
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