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E X H I B I T S

Lynx Exhibit Fourteen, Correspondence	8
Lynx Exhibit Fifteen, Correspondence	8
Lynx Exhibit Sixteen, Correspondence	8
Lynx Exhibit Seventeen, Correspondence	8
Lynx Exhibit Eighteen, Receipts	8

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MR. STOGNER: We will now call Case Number 8341.

MR. TAYLOR: The application of Lynx Petroleum Consultants, Inc. for compulsory pooling, Lea County New Mexico.

MS. AUBREY: Karen Aubrey, Kellahin and Kellahin, appearing for the applicant.

I have one witness to be sworn.

(Witness sworn.)

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

DIRECT EXAMINATION

BY MS. AUBREY:

Q Would you state your name, please?

A My name is Larry Scott. I'm employed by Lynx Petroleum Consultants, Inc. as a Vice President.

Q Mr. Scott, do you have any professional degrees?

A Yes, I have a Bachelor of Science degree in electrical engineering from the University of Texas at Austin.

Q Can you recite for the Examiner what your

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professional work experience has been to date in the oil and gas industry?

A I have seven years of experience with Conoco, Incorporated, as a drilling and production engineer, and supervising production engineer, and three years of experience with Lynx Petroleum Consultants, independent operator.

Q And you're presently employed by Lynx at this time?

A That is correct.

Q Mr. Scott, have you reviewed the application of Lynx Petroleum for compulsory pooling of the mineral interests underlying the northeast of the southwest quarter of Section 25, Township 16 South, Range 37 East?

A Yes, I have.

MS. AUBREY: Mr. Examiner, at this time I tender Mr. Scott as an expert petroleum engineer.

MR. STOGNER: He is so qualified.

All right, Ms. Aubrey, you may continue.

MS. AUBREY: Thank you, Mr. Examiner.

Q Mr. Scott, have you prepared certain exhibits for the consideration of the Examiner this morning?

A My partners in this project have prepared

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these exhibits.

Q Who is your partner in this project?

A Southern Union Exploration, Incorporated,  
out of Dallas, Texas.

A And what percentage of this project does  
Southern Union Exploration have?

A Thirty-five percent.

Q And who has the remaining percentage?

A Lynx Petroleum Consultants.

Q And you are seeking to pool the interest  
of approximately 6.825 mineral interest underlying the  
northwest quarter of the southwest quarter of Section 25.

A That is correct.

Q Let me refer you to Exhibit One. Does  
that plat show the proposed location of the well?

A Exhibit One shows the proposed location  
of the well, 2100 feet from the west line and 1650 feet from  
the south line of Section 25.

Q Is that a standard location, sir?

A Yes, it is.

Q Let me refer you now to Exhibit Number  
Two. Can you identify that for us?

A Exhibit Number Two, page one is a Form C-  
101, Application for Permit to Drill.

Exhibit Two, page two, is a C-102, Loca-  
tion Plat, for the same well.

Q And does that show the proposed location

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cf the well?

A Yes, it does.

Q Let me refer you now to Exhibit Number Three. Can you identify that, please?

A Exhibit Number Three is an AFE to drill and complete the subject well.

Q And what are the estimated well costs for completing the well in question?

A Total well cost is estimated to be \$385,000.

Q And do you have an opinion, Mr. Scott, as to whether that's a reasonable cost for a well drilled to this formation?

A Yes, I believe it is.

Q Let me refer you now to Exhibit Number Four. Can you identify that, please?

A Exhibit Number Four is a list of the mineral holders under the northeast of the southwest quarter of Section 16 that have not agreed to either lease or join in the prospect.

Q And Exhibit Number Five, sir?

A Exhibit Number Five is a recap of the correspondence between Southern Union and those six mineral owners.

Q And that would be Southern Union Exploration, who is your partner in this well.

A That is correct.

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Q Now let me refer you to the next exhibits as a group. That would be Exhibit Number Six through Exhibit Number Seventeen. Can you look through those and identify them for the Examiner?

A Okay, Exhibits Six through Seventeen are first offers to lease the subject minerals and then an offer to allow these people to participate or asking them to participate in the subject well.

Q And these would be the same mineral interest owners that are shown on your Exhibit Number Four, is that correct?

A That is true.

Q If you'd look at specifically Exhibits Twelve through Seventeen, now, Mr. Scott. Can you tell the Examiner whether or not an AFE, or a copy of an AFE, which we've introduced as Exhibit Number Three, was attached to each of these letters and sent to the mineral interest owners?

A Yes, it was.

Q And now let me refer you to Exhibit Number Eighteen. Can you identify that, please?

A Exhibit Number Eighteen is registered mail receipts to each of the six parties, attesting the fact that they did receive the AFE asking them to join in the proposed well.

Q And that would have been attached to your May 23rd, 1984 letter which we've introduced copies of as

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Exhibits Twelve through Seventeen.

A I believe that is correct.

Q What response, if any, did you receive from these mineral owners in response to your letters either to lease or to join in the well?

A The response was they did not want to lease; they did not want to join; and a couple of the parties indicated that we should go ahead and force pool them.

On two or three we had no response whatsoever.

Q But you do have return receipts from those two or three who did not respond?

A Yes, we do.

Q Do you have an opinion, Mr. Scott, as to whether or not the combined efforts of Lynx and Southern Union Exploration to give these people the opportunity to join in the well have been reasonable and fair?

A I believe they have.

Q Mr. Scott, are you seeking a risk factor in connection with the compulsory pooling in this case?

A Yes, we are.

Q Can you tell the examiner what risk factor you're seeking?

A 200 percent.

Q That would be 200 percent over the cost of completing the well.

A That is correct.

1  
2 Q Let me refer you back to your Exhibit  
3 Number One. Will that help you in explaining to the Exami-  
4 ner the justification for the penalty which you seek to have  
5 imposed?

6 A Yes, it will.

7 Q I'd like you to look at that and tell the  
8 Examiner whether or not from the proposed location there are  
9 any controls to the north in this formation.

10 A Okay, this -- the proposed location is on  
11 the extreme northwest edge of the Lovington Paddock Pool.  
12 There are no producing Lovington Paddock wells to the north-  
13 west of the proposed location and little control on the Pad-  
14 dock formation in that direction.

15 There is a significant risk that the por-  
16 osity and permeability at the target horizon could be  
17 pinched out at the proposed location.

18 Q Have there been any dry holes drilled in  
19 the quarter section we're looking at?

20 A Okay. Now shown on the map but approxi-  
21 mately 60 feet east of the proposed location there is a dry  
22 hole to the San Andres, which would effectively eliminate  
23 one of the more promising back-up zones in this immediate  
24 area.

25 Q While we're talking about the proposed  
location, Mr. Scott, is there a variance between the pro-  
posed location as set out in the application and the pro-  
posed location which we're talking about here today?

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2           A           Yes.    This location was moved approxi-  
3 mately 65 feet to the west due to the proximity of that dry  
4 hole and railraod tracks run right through the middle of it.

5           Q           But it continues to be a standard loca-  
6 tion for the Paddock formation.

7           A           That is correct.

8           Q           Referring you to Exhibit One, can you id-  
9 entify for the Examiner the -- and explain what the well  
10 symbols are that are shown as triangles on there?

11          A           Okay, the well symbols shown as triangles  
12 are water injection wells in the Lovington Paddock Pool.

13          Q           How many of those are directly offsetting  
14 the proposed location?

15          A           There are no direct offsets but there are  
16 two diagonal offsets to the proposed location.

17                    These would increase the risk somewhat  
18 from a standpoint of the proposed location possibly being  
19 watered out.

20          Q           Based on your testimony, do you have an  
21 opinion that a 200 percent risk factor is reasonable in this  
22 case?

23          A           I believe it is.

24          Q           Are you also seeking drilling and super-  
25 vision rates of \$300 a day?

          A           Drilling and supervisionr rates are being  
requested \$300 per day; management fees once the well is on  
production are requested at \$350 per month.

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Q And do you have an opinion as to whether or not those are reasonable costs for a well drilled in this location to that formation?

A These are reasonable costs and similar to what other operators are charging in the area.

Q How many wells does Lynx operate, Mr. Scott?

A Approximately 35.

Q Based on your experience with those wells you do believe this is a reasonable cost?

A Yes, I do.

Q I believe, Mr. Scott, you have some leases expiring in a very short period of time. What is that date?

A November the 1st.

MS. AUBREY: Mr. Examiner, in light of the expiration date of the leases we would ask permission to submit a proposed order in order to expedite an order in this case.

MR. STOGNER: Do you have that ready today or would you like to submit that --

MS. AUBREY: We'll have it ready today, Mr. Examiner.

MR. STOGNER: Okay. Do you have any further questions?

MS. AUBREY: Yes, I do.

MR. STOGNER: Please continue.

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2 Q Mr. Scott, were Exhibits One through Five  
3 and Exhibit Eighteen prepared under your supervision and  
4 control?

5 A They were not prepared under my supervi-  
6 sion or control but I am very familiar with them.

7 Q Have you reviewed the Exhibits One  
8 through Five that are stamped Lynx Petroleum Consultants?

9 A Yes, I have.

10 Q And with regard to Exhibits Six through  
11 Seventeen, those were prepared by your partner?

12 A That is correct.

13 Q And have you reviewed those as to their  
14 accuracy?

15 A Yes, I have.

16 MS. AUBREY: Mr. Examiner, I  
17 tender Exhibits One through Eighteen.

18 MR. STOGNER: If there is no  
19 objection Exhibits One through Eighteen will be admitted in-  
20 to evidence.

#### 21 CROSS EXAMINATION

22 BY MR. STOGNER:

23 Q Mr. Scott, referring back to your Exhibit  
24 Number One, did the plugged and abandoned well that we re-  
25 ferred to as being 60 feet to the east, did that ever pro-  
duce or was that just a --

A No, sir, that was a dry hole.

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Q A dry hole. Are there any other San Andres dry holes or any other San Andres producing wells?

A Okay, San Andres produces in the Lovington Field to the south of the proposed location.

Q It appears that your main objective is the Paddock Pool.

A That is correct.

Q Are you expecting to encounter any other oil producing stringers between the surface and the Paddock?

A There are -- there are no other producing horizons other than the San Andres in the immediate vicinity.

Q Now going back to your overhead charges, if I understood you right, you are requesting \$300 a day while drilling?

A That is correct.

Q And \$350 a month while producing.

A That is correct.

Q Okay, I multiply that by 30 and I come up with \$9000 a month for drilling. Is that not what you come up with?

A Yes, sir, that is correct.

Q How deep are these wells in the Paddock Pool?

A 6300 feet.

Q Doesn't \$9000 a day seem a little excessive for a 6300-foot well in this area?

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A \$9000 a day?

Q \$9000 a month, I'm sorry.

A Well, \$300 per day is a standard fee for petroleum consultants during drilling and completion operations.

Q Has Lynx Petroleum Consultants been in here before compulsory pooling anybody?

A No, sir, we have not.

Q Are you -- going back to your exhibits, they were, as I understood, they weren't prepared by you, they were prepared by somebody else.

A Exhibits Six through Eighteen were.

Q Exhibits Six through Eighteen.

A That is correct.

Q Okay, this \$9000 a month figure, is that Lynx' figure or is that Southern Union's figure?

A No, that is Lynx Petroleum's figure.

Q \$9000 a month is the highest amount I've ever encountered being my short term here at the Oil Conservation Division, but I'll take that under consideration.

MR. STOGNER: I have no further questions of this witness.

Are there any other questions of Mr. Scott?

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REDIRECT EXAMINATION

BY MS. AUBREY:

Q Mr. Scott, will the granting of Lynx' application protect correlative rights, promote conservation, and prevent waste?

A I believe it would.

MS. AUBREY: I have no more questions of the witness.

MR. STOGNER: Is there anybody else that has any questions of Mr. Scott?

If not, he may be excused.

Is there anything further in Case Number 8341 this morning?

MS. AUBREY: I have nothing further.

MR. STOGNER: If not, this 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 Con-  
servation Division was reported by me; that the said tran-  
script 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 correct and true copy of the transcript  
the hearing was held on Sept. 19 1984  
Michael E. Stagner, Examiner  
Oil Conservation Division

## NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date SEPTEMBER 19, 1984 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
Bob Huber	Byram	Santa Fe
Code A Mate	Amoco	Houston, TX
James G. Alb	Kellaker + Kellaker	Santa Fe
Karen Dumbley	El Paso Natural Gas Co	El Paso, TX
Paul W. Burchell	YATES PETROLEUM	ARTESIA
Dave Bourne	Kellaker + Kellaker	Santa Fe
R. I. Kellaker	Kellaker + Kellaker	Santa Fe
William J. Fox	Frankel + Gad, P.A.	Santa Fe
Chad Dickerson	Lawrence + Dubman	Artesia
Robert E. Ralung	BBC, Inc	Artesia
E. Robert Rickard	Yates Petroleum Corporation	Artesia
G. L. Carpenter	Yates Petroleum	Artesia
Walt H. Whiting	Chama Petroleum Co.	Dallas
Les Wurf	UNION OIL OF CA	MIDLAND

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date SEPTEMBER 19, 1984 Time: 8:00 A.M.

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