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I N D E X

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MR. STOGNER: We'll call next Case Number 8476.

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

MR. CARR: May it please the Examiner, my name is William F. Carr, with the law firm Campbell and Black, P. A., of Santa Fe, appearing on behalf of Cavalcade Oil Corporation.

I have one witness who needs to be sworn.

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

Will the witness please stand and be sworn?

(Witness sworn.)

MR. CARR: Initially, Mr. Examiner, I would like to note that the application and also the legal ad provide that Cavalcade plans to re-enter the Hancock No. 1 Slack Well, located 1980 from the north and 660 from the west line and will attempt to recomplete in the Wolfcamp, dedicating the southwest quarter of the northwest quarter of Section 18, Township 12 South, Range 38 East.

If we are unable, when we enter

1
2 that well, to use that wellbore to reach the Wolfcamp, we
3 will drill on the pooled unit a well at a standard location
4 and we will -- to test the Wolfcamp, but the well will be at
5 a standard location and we will not drill that well with a
6 cable tool.

7 MR. STOGNER: Mr. Carr, so what

8 --

9 MR. CARR: I just think that
10 you -- you should note that. I don't think the case has to
11 be readvertised but you will be receiving in the course of
12 Mr. Capps presentation two AFE's, one if they're able to use
13 this existing wellbore, another if they're required to drill
14 the well. It will be at a standard location in any event.

15 MR. STOGNER: Okay, Mr. Carr.

16 Please continue.

17 RANDALL L. CAPPS,

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

20 DIRECT EXAMINATION

21 BY MR. CARR:

22 Q Will you state your full name for the re-
23 cord, please?

24 A I'm Randall L. Capps.

25 Q Where do you reside?

A Lubbock, Texas.

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

A Cavalcade Oil Corporation. I've a Vice President of Land Department.

Q Have you previously testified before this Commission or one of its examiners and had your credentials accepted and made a matter of record?

A No.

Q Would you briefly summarize for Mr. Stogner your educational background and your work experience?

A I have a Bachelor's degree in business administration from New Mexico State University.

I've had four courses in petroleum land management from the University of Oklahoma and two from the University of Texas.

Q By whom have you been employed since graduation?

A I was employed two years with Texaco, Incorporated; six years with Enserch Exploration, Incorporated.

Q And when did you go to work of Cavalcade?

A September of 1984.

Q In all these jobs have you been employed as a petroleum landman?

A Yes.

Q Are you familiar with the application filed in this case on behalf of Cavalcade Oil Corporation?

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A Yes, I am.

Q Are you familiar with the subject area?

A Yes.

MR. CARR: Are the witness' qualifications acceptable?

MR. STOGNER: They are.

Q Mr. Capps, will you briefly state what Cavalcade seeks with this application?

A We seek an order pooling the unleased mineral interests under the southwest quarter of the northwest quarter of Section 18, Township 12 South, Range 36 East.

Q Does Cavalcade also seek to be designated operator of the well?

A Yes, sir.

Q And are you seeking the imposition of a risk penalty on those working or mineral interests that do not voluntarily join in the well?

A Yes.

Q Have you prepared certain exhibits for introduction in this case?

A Yes.

Q Would you please refer to what has been marked for identification as Cavalcade Exhibit Number One and review this for Mr. Stogner?

A This is a land plat showing the 40-acre proration unit surrounding the Hancock No. 1 Slack Well, the

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well to be re-entered.

It also shows offsetting mineral and lease ownership.

Q And the subject lands are shaded in yellow?

A Yes.

Q And the Hancock Well is the well in the center of the 40-acre tract.

A Yes.

Q To what formation was the Hancock Well originally drilled?

A It was originally drilled to 12,000 feet and completed in the Devonian formation.

Q Has this well ever been -- has this well ever produced from the Wolfcamp?

A No, sir.

Q And your primary objective is what formation?

A The Wolfcamp.

Q And your primary objective is what formation?

A The Wolfcamp.

Q Would you now refer to Exhibit Number Two and review this for Mr. Stogner?

A Exhibit Number Two is an ownership breakdown showing the various mineral owners under this tract, their fractional interest, and their addresses.

1
2 Q Since the time you prepared Exhibit Num-
3 ber Two have additional interest owners joined in the drill-
4 ing of -- or the re-entry of this well?

5 A Yes, they have.

6 Q Would you identify those for Mr. Stogner?

7 A Let's see, it's Mary Frances Phillips
8 Stark has leased.

9 Roberta Currie, Hugh Bob Currie, James
10 David Currie, A. C. Smith, and Sinclair Smith Siragusa.

11 Q All those now are voluntarily committed
12 to the --

13 A Yes.

14 Q -- re-entry or the drilling of the well.
15 What percentage of the acreage in this
16 spacing or proration unit is now voluntarily committed to
17 the well?

18 A 91 percent.

19 Q Would you now refer to what has been mar-
20 ked as Exhibit Number Three and review this for the Exami-
21 ner?

22 A Exhibit Number Three consists of two
23 AFE's which were made up by myself and Cavalcade's engineer.

24 Q What is the first AFE?

25 A The first AFE is a list of expenses ex-
pected to be incurred in the re-entry of the subject well.

Q And what are the total expenses for the
re-entry?

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A Total expenses completed, \$167,900.

Q Now would you refer to the other pages included in Exhibit Three and identify those for the Examiner?

A The next page is an AFE for a new well.

Q And what are the dry hole and completed well costs?

A The dry hole cost is \$465,922 and the completed well cost, \$610,502.

Q Are these costs in line with what's being charged by other operators in the area?

A I believe they are because they're based on actual bids that we received.

Q Would you please summarize the efforts made by Cavalcade to obtain the voluntary joinder of all interest owners in this proposed spacing unit?

A Beginning on January the 7th I phoned all of the mineral owners during that week and offered to lease their minerals.

I then followed up with a letter, which is Exhibit Four, which is dated January 21st, 1985, and with that letter mailed an oil and gas lease, asking them to go ahead and lease to Cavalcade.

Q Have you talked with the nonconsenting interest owners since you --

A Yes.

Q -- sent them the January 21 letter?

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A I've called all of the nonconsenting owners again on Monday, the 11th of February.

Q When did you -- when did Cavalcade acquire the -- their interest in this spacing or proration unit?

A We acquired the first lease on January the 8th.

Q And how long do these leases run?

A They're six month leases.

Q So you're operating on a relatively short time frame.

A Yes, we have less than five months left.

Q Now would you identify for the Examiner what is marked as Cavalcade Exhibit Number Five?

A Exhibit Number Five consists of copies that Campbell and Black mailed to the nonconsenting mineral owners on behalf of Cavalcade.

Q And this letter gives them notice of today's hearing, does it not?

A Yes, sir.

Q In your opinion has Cavalcade made a good faith effort to locate and obtain voluntary joinder from all interest owners in the proposed spacing unit?

A Absolutely.

Q Are you prepared to make a recommendation to the Examiner today as to the risk penalty that should be assessed against those -- any nonconsenting interest owner

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in this unit?

A Yes, I am.

Q And what, what do you recommend?

A I recommend the maximum.

Q And upon what do you base that recommendation?

A Well, if you'll look at Exhibit One, the wells immediately offsetting our proration unit to the west and to the north have been recompleted in the Wolfcamp formation by Skelton Oil.

Those wells are produced over 200,000 barrels each out of the Wolfcamp and have been plugged and abandoned.

We think there's a considerable risk that this acreage may have already been drained by those two offsetting wells.

Q If you are able to obtain production in the Wolfcamp, do you believe there's a chance that a well at the proposed location could not be, and might not be a commercial success?

A There is a chance, yes.

Q Have you made an estimate of overhead and administrative costs while drilling the well and also while producing it, if in fact it is a producer?

A Yes, we have.

Q And what are those figures?

A \$4000 a month drilling rate; \$400 a month

1
2 producing rate.

3 Q Are these costs in line with what other
4 operators in the area are charging?

5 A Yes.

6 Q Do you recommend that these figures be
7 incorporated into any order which results from this hearing?

8 A Yes.

9 Q And does Cavalcade seek to be designated
10 operator of the well?

11 A Yes.

12 Q Mr. Capps, in your opinion will granting
13 this application be in the best interest of conservation,
14 the prevention of waste, and the protection of correlative
15 rights?

16 A Yes.

17 Q Were Exhibits One through Five prepared
18 by you or compiled under your direction?

19 A Yes, they were.

20 MR. CARR: Mr. Stogner, at this
21 time we would offer into evidence Cavalcade Exhibits One
22 through Five.

23 MR. STOGNER: Exhibits One
24 through Five will be admitted into evidence.

25 MR. CARR: That concludes my
direct examination of Mr. Capps.

CROSS EXAMINATION

1
2
3 BY MR. STOGNER:

4 Q Mr. Capps, let's refer to Exhibit Number
5 Two and go over the interest owners who have not joined or
6 have not agreed --

7 A Okay.

8 Q -- to the terms to date.

9 A Okay. You want me to set out each one?

10 Q Yeah, if you would.

11 A Okay. David Hugh Currie.

12 Q This is on the first page.

13 A Yes, sir.

14 Q Okay.

15 A John James Currie.

16 Q Uh-huh.

17 A Jeanne W. Miller, Trustee.

18 Q Okay.

19 MR. CARR: Have they all leased
20 to Cavalcade?

21 A No, these are the ones who have not
22 leased.

23 Q Okay, please continue.

24 A That was your question?

25 Q Yes, that have not.

A Okay.

Q Leased.

A Right. Courtney B. Kingsland, Trustee.

1
2 The heirs and devisees of Lucille Wat-
3 kins.

4 Brown W. Wilson and wife, Evelyn Wilson.

5 H. J. Farwell and Brenda L. Farwell.

6 Courtney Bushrod Kingsland.

7 Jeanne W. Miller and Robert T. Watkins,
8 Trustees.

9 And that's it.

10 Q That's all. In your testimony you said
11 that you telephoned all interest owners on January 7th,
12 1985. Was that the first contact with these people?

13 A Yes. During that week of January the 7th
14 I -- I was able to contact all of them by phone.

15 Q Okay. You were able to contact Mr. --
16 the Curries, David and John?

17 A Yes, sir.

18 Q By telephone.

19 A Yes, sir.

20 Q Okay. What did they say?

21 A Well, they all -- they all acted inter-
22 ested in leasing but they wanted a large bonus figure and a
23 25 percent royalty.

24 Q Okay. The Miller and the Kingsley trus-
25 tees, who did you actually talk to about them?

A I spoke with Jeanne Miller. I spoke with
Courtney Kingsland, and I spoke with their attorney, who is
Robert T. Watkins.

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Now these people did not even act interested in leasing.

Q But you talked to them during that week.

A Yes, I did.

Q Okay, now let's move down here to the heirs and -- of Lucille Watkins.

A Right.

Q Who did you speak to about this?

A I spoke to Robert T. Watkins. He is the attorney and executor of the estate.

Q That you mentioned it to previously.

A Yes.

Q This was out in California, I assume, --

A Yes, sir.

Q -- that Mr. Watkins is? Okay.

How about the Brown Wilson and Evelyn Wilson? Attention Linda Donahue?

A Okay. Brown Wilson and Evelyn Wilson are both deceased. I spoke to their son, Steve Wilson, who is an attorney in Austin. He and two sisters own the interest and have verbally stated they will lease but as yet they have not returned a signed lease to me.

It's my intention as ^{w/} receive a signed lease from them to drop them from this proceeding.

Q Okay. How about the H. J. Farwell and Brend L. Farwell are also deceased.

I spoke to their son, Benton Farwell in

1 Amarillo. That is also owned by he and two sisters, and
2 they have agreed to lease but have not signed or returned a
3 lease to us.

4 Q And they're in Amarillo.

5 A Yes, sir.

6 Q How about Kingsley in El Cajon, Califor-
7 nia?

8 A I spoke to him on the phone. Kingsland?

9 Q Yes, sir, I'm sorry, Kingsland.

10 A Uh-huh, I spoke to him on the phone and
11 he told me he would do whatever Robert T. Watkins, his at-
12 torney, advised him to do.

13 Q So he is relating to Mr. Watkins.

14 A Yes.

15 Q Another lawyer (not clearly understood.)
16 Why do we have Jeanne Miller listed
17 twice?

18 A Well, she's in -- they're different
19 trusts, if you'll notice the dates. She was designated
20 trustee under a trust dated 1967, and then she was again de-
21 signated trustee under a 1978 trust.

22 Q And let me guess, you talked to Mr. Wat-
23 kins.

24 A Yes.

25 Q Okay.

A No, I talked to Jeanne Miller.

Q Oh, you did?

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A Yes.

Q Oh, okay. And you subsequently, on February -- I'm sorry.

When did you first have written correspondence with the people that we just went over?

A January 21st. I sent those all certified so I know they received the letters.

Q Do you have a copy of that January 21st certification on this?

A No, I don't have the copies of the certification. I can -- I can submit them.

Q Would you please?

A Yes.

Q This is February 4th.

MR. CARR: The originals are there with all certifications.

A I have a copy of the letter and not the --

MR. CARR: And the certifications are there, all that have been received are there. There may be one or two that are not back yet.

MR. STOGNER: Are you referring, Mr. Carr, to Exhibit Five, the certifications?

MR. CARR: Yes. Yes.

MR. STOGNER: Okay, that's to the letter dated February 4th, is it not?

A Right. This letter of -- my letter of

1
2 January 21st was also sent certified and I have those in my
3 office.

4 Q Could we -- could you make a copy of
5 those --

6 A Yes.

7 Q -- and submit that? We'll make that part
8 of Exhibit Number Four.

9 A Okay, I'll submit them through Bill.

10 Q Thank you. Mr. Carr, I will then hold
11 you responsible, Mr. Carr, for getting that supplemental in-
12 formation to me.

13 Let's refer back to Exhibit Number One.

14 I'd like a little bit more history on
15 this Slack Well, the Hancock No. 4 that you're proposing to
16 re-enter.

17 When was that originally spudded, do you
18 know?

19 A Yes, sir. Do you have that log? It
20 should be on the top of that log.

21 It was November 1st, 1957.

22 Q And when was it plugged and abandoned?

23 A I don't have that, sir.

24 Q We should have that in our records. I'll
25 look that up for you.

26 A Okay.

27 Q Do you know if the wells that you pre-
28 viously alluded to offsetting to the north and to the west,

1 are they within a Wolfcamp designated pool?

2 A I wouldn't be able to answer that.

3 Q Did I hear you right, also, on your tes-
4 timony that each well produced approximately 200,000 barrels
5 of oil from the Wolfcamp?

6 A Yes, sir.

7 Q And do you know when those wells might
8 have quit producing?

9 A I know the well immediately north of us
10 quit producing in January of '84.

11 The well west of us, I do not know.

12 Q You mentioned the overhead charges being
13 \$4000 while drilling and \$400 while producing.

14 A Yes.

15 Q And this is for the re-entry charges for
16 the Hancock Well, is that right?

17 A For the re-entry and/or drilling.

18 Q Okay.

19 MR. STOGNER: I have no further
20 questions for this witness.

21 Do you have any further ques-
22 tions, Mr. Carr?

23 MR. CARR: Nothing further, Mr.
24 Stogner.

25 MR. STOGNER: Thank you, Mr.
Carr.

Is there anything further in

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Case Number 8476?

If not, I'm going to keep the record open until we receive the supplemental information for --

MR. CARR: We'll send you the certifications -- the return receipts on the certified mailing of that earlier letter from Cavalcade.

Is that all you're seeking, Mr. Stogner?

MR. STOGNER: Yes, that's all I need.

MR. CARR: Thank you.

MR. STOGNER: Thank you, Mr. Carr.

Is there anything further in Case Number 8476?

If there's nothing further in Case -- well, never mind. Okay.

MR. CARR: Does that conclude the hearing, Mr. Stogner?

MR. STOGNER: Yeah, that concludes the case.

(Hearing concluded.)

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 record of the proceedings in the Examiner hearing No. 8476 heard by me on 13 February 1985.
Michael E. [Signature], Examiner
Oil Conservation Division

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

6 27 March 1985

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Cavalcade Oil Cor-
10 poration for compulsory pooling,
11 Lea County, New Mexico.

CASE
8476

12
13 BEFORE: Michael E. Stogner, Examiner

14
15 TRANSCRIPT OF HEARING

16
17 A P P E A R A N C E S

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19
20 For the Oil Conservation
21 Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

22
23 For the Applicant:

William F. Carr
Attorney at Law
Campbell and Black, P. A.
P. O. Box 2208
Santa Fe, New Mexico 87501

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I N D E X

STATEMENT BY MR. CARR

3

RANDALL CAPPS

Direct Examination by Mr. Stogner

4

1
2 MR. STONER: Call next Case
3 8476.

4 MR. TAYLOR: The application of
5 Cavalcade Oil Corporation for compulsory pooling, Lea Coun-
6 ty, New Mexico.

7 MR. CARR: May it please the
8 Examiner, my name is William F. Carr, with the law firm
9 Campbell and Black, P. A., appearing on behalf of Cavalcade
10 Oil Corporation.

11 This case was heard some time
12 ago, and at that time Cavalcade offered certain exhibits,
13 including AFE's for a re-entry of an existing well on a 40-
14 acre tract and also an AFE setting forth the cost if in fact
15 a new well needed to be drilled upon that 40-acre tract.
16 And that was an option that they would exercise only if they
17 were unable to use the existing wellbore for the re-entry.

18 When the order was entered, it
19 only provided for the re-entry and not for the drilling of a
20 new well.

21 We have no additional testimony
22 to add at this time. Mr. Randy Capps with Cavalcade is
23 present if the Examiner has any questions.

24 We would ask that based on the
25 record previously presented that an amended order be entered
26 which provides for the re-entry or, on the alternative, the
27 drilling of a well on the spacing unit at an ^{sic} unorthodox lo-
28 cation.

1
2 MR. STOGNER: Was that gentle-
3 man--was he present at the previous hearing?

4 MR. CARR: Yes, he was.

5 MR. STOGNER: Was he sworn in
6 as--

7 MR. CARR: Yes, he was.

8 MR. STOGNER: --a witness at
9 that time?

10 MR. CARR: And he will be the
11 witness in the following case if you'd like to swear him at
12 this time and ask any questions.

13 MR. STOGNER: Yeah, let's go
14 ahead and do that and get it over with and that way he'll
15 already be sworn in for the next one.

16 I've just got a few simple
17 questions to iron some stuff out.

18 (Witness sworn.)

19 RANDALL CAPPS,
20 being duly sworn upon his oath testified as follows, to-wit:

21 DIRECT EXAMINATION

22 BY MR. STOGNER:

23
24 Q Your name again?

25 A I'm Randall Capps.

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Q C-A-P-P-S?

A Yes, sir.

Q Mr. Capps, has the old well been re-entered at this time?

A No, it has not.

Q Okay. If that well proves to be unenterable for one reason or another, the new well that you propose to drill will be at a standard location?

A Yes, sir.

Q And an AFE was presented at the previous hearing for that new well, is that right.

A Yes, sir.

Q Is Cavalcade prepared at this time to either re-enter that well or drill a new one or--what kind of time frame are you looking at?

A We have plans of starting the well April 1st--starting the re-entry.

We will use a full size drilling rig for the re-entry. If it's unsuccessful we'll skid the rig over and start the new well, thereby saving approximately \$20,000 moving charge--from moving it off and moving it back.

We've also got a short term lease expires June the 8th.

MR. STOGNER: I have no further questions of Mr. Capps.

Is there anything else in this Case 8476.

1
2 If not, this gentleman may be
3 excused.

4 Mr. Carr, do you have anything
5 further in Case--

6 MR. CARR: Nothing further, Mr.
7 Stogner.

8 MR. STOGNER: --8476?

9 Does anybody else have anything
10 further in Case 8476 this morning?

11 If not, this case will be taken
12 under advisement.

13 (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 correct and true transcript of the hearing held on 27 March 1985 at 8476 hearing 85.
Michael E. Stegert, Examiner
Oil Conservation Division