

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

11 July 1984

EXAMINER HEARING

IN THE MATTER OF

Application of Alpha Twenty-One
Production Company for compulsory
pooling, Lea County, New Mexico.

CASE-
8250
8251

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

For the Applicant:

Robert H. Strand
Attorney at Law
ATWOOD, MALONE, MANN & TURNER
P. O. Drawer 700
Roswell, New Mexico 88201

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I N D E X

ROBERT WAYNE LANSFORD

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JOE ALEXANDER

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3 MR. STAMETS: We'll call next
4 Case 8250, being the application of Alpha Twenty-One
5 Production Company for compulsory pooling, Lea County, New
6 Mexico.

7 MR. STRAND: Mr. Examiner,
8 Robert H. Strand of the firm of Atwood, Malone, Mann and
9 Turner of Roswell, on behalf of the applicant.

10 Mr. Examiner, I would request
11 that we also hear Case Number 8251 at the same time.

12 MR. STAMETS: If there is no
13 objection I will call Case 8251 to be heard at this time.

14 This is the application of
15 Alpha Twenty-One Production Company for compulsory pooling,
16 Lea County, New Mexico.

17 Any other appearances in either
18 of these cases?

19 You have two witnesses, Mr.
20 Strand?

21 MR. STRAND: Yes.

22 MR. STAMETS: If they will both
23 stand at this time, please.

24
25 (Witnesses sworn.)

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

DIRECT EXAMINATION

BY MR. STRAND:

Q Would you please state your full name,
please, your place of residence, and your occupation?

A Robert Wayne Lansford. I'm an engineer
for Alpha Twenty-One Production Company and I reside at 908
Cochiti in Hobbs, New Mexico.

Q Mr. Lansford, have you previously testi-
fied before the Division and are your qualifications as an
engineer a matter of record?

A Yes, sir.

MR. STRAND: Mr. Examiner, is
Mr. Lansford considered qualified?

MR. STAMETS: Yes.

Q Mr. Lansford, would you briefly state the
purpose of the applications in Cases Number 8250 and 8251?

A Alpha Twenty-One Production Company seeks
an order pooling all unleased and uncommitted mineral inter-
ests underlying the northeast quarter of the southeast quar-
ter of Section 32, Township 18 South, Range 37 East, Lea
County, from the surface to the base of the Grayburg forma-
tion.

Case 8251, Alpha Twenty-One Production

1
2 Company seeks an order pooling all unleased and uncommitted
3 mineral interests underlying the southeast quarter of the
4 southeast quarter of Section 32, Township 18 South, Range 37
5 East, Lea County, from the surface to the base of the Gray-
6 burg formation.

7 Also, in each case Alpha Twenty-One re-
8 quests that it be designated as operator of said pooled unit
9 and that any orders entered therein make provision for al-
10 location of well costs, a charge for supervision and a
11 charge for risk.

12 Q Mr. Lansford, as well as performing your
13 duties as an engineer for Alpha Twenty-One Production Com-
14 pany, are you also generally familiar with the operations of
15 the company in drilling of its wells?

16 A Yes, sir, I am.

17 Q Mr. Lansford, I refer you to what we've
18 designated as Exhibit Number One. Would you please describe
19 that exhibit and what it shows?

20 A Okay. In Exhibit Number One we are look-
21 ing at the northeast quarter of the southeast quarter of
22 Section 32 and in Case Number 8251 we're looking at marked
23 in red, also, the southeast quarter of the southeast quarter
24 of Section 32.

25 Q Mr. Lansford, referring to the southeast
26 quarter of the southeast quarter, has a well already been
27 drilled on that 40-acre proration unit?

28 A Yes, sir, we have. It is designated as

1
2 the Mike No. 1.

3 Q Mr. Lansford, I refer you to what we've
4 marked as Exhibit Number Two. Would you please describe
5 that?

6 A Okay. Exhibit Number Two is our well
7 completion report, showing our cement, logs, perforation and
8 stimulation that has been done on the Mike No. 1 Well.

9 Q Mr. Lansford, Alpha Twenty-One Production
10 Company is the operator of that well?

11 A That is correct.

12 Q When was the well spudded?

13 A The well was spudded April 27th, 1984.

14 Q And when was it completed?

15 A June 9th, 1984.

16 Q Was the well completed as an oil well?

17 A Yes, sir.

18 Q And in what formation was it completed?

19 A It was completed in the Fumont, Eunice
20 Monument Grayburg-San Andres Pool.

21 Q Was the well drilled to a deeper depth
22 than the Grayburg formation?

23 A No, sir.

24 Q I refer you to Exhibit Number Three.
25 Will you please describe that?

A Exhibit Number Three is our AFE for the
proposed cost of drilling the Mike No. 1 Well.

Q Would you state for the record what the

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total estimated cost of that well was?

A Our total estimated cost was \$370,150.

Q Now I'll refer you to what we've marked as Exhibit Number Four. Would you please describe that?

A Exhibit Number Four is our actual cost for drilling and completion of the Mike No. 1 through June of 1984 and our cost at that point was \$343,219.

Q Do you anticipate any substantial additional costs for that well?

A Just a few minor costs, roustabout, painting, and surface equipment.

Q Mr. Lansford, in your opinion do these -- are these well costs for this type of well comparable to other wells you've been associated with drilled in southeast New Mexico --

A Yes, it is.

Q -- to a similar depth?

A Yes, sir.

Q Now, with regard to the Case Number 8250, the northeast quarter of the southeast quarter of Section 32, is it the intent of Alpha Twenty-One Production Company to drill a well to a similar depth on that tract?

A Yes, sir.

Q And would you anticipate the estimated cost for that well to be approximately the same?

A Yes, sir, it should be.

Q Mr. Lansford, I refer you to Exhibit Num-

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ber Five. Will you please describe that?

A Our Exhibit Number Five is our operating agreement covering the southeast quarter of the southeast quarter of the northeast quarter of the southeast quarter of Section 32 and other lands.

Q Does this operating agreement cover the two tracts that we've requested the pooling orders for?

A Yes, sir, it does.

Q Mr. Lansford, have you examined this operating agreement and are you familiar with the persons who have committed their interests thereto?

A Yes, sir, I have.

Q Have all of the working interest owners under the leases covering these tracts, as well as the unleased mineral interests, committed their interest to this operating agreement with the exception of one Lena B. Rogers?

A That's correct.

Q And to your knowledge what interest does Lena B. Rogers own?

A She owns a 4.72 percent undivided mineral interest.

Q Mr. Lansford, our original application submitted in this case also indicated that Douglas Cone owned an undivided mineral interest which has not -- which was not committed to the agreement.

Has he since agreed to participate in the

1
2 well that's already drilled as well as the well proposed to
3 be drilled on the northeast quarter of the southeast quarter
4 of Section 32?

5 A Yes, sir, he has so committed.

6 Q Mr. Lansford, are you familiar with the
7 penalty provisions contained in this operating agreement re-
8 lating to owners going nonconsent under subsequent wells to
be drilled?

9 A Yes, sir, I am.

10 Q Will you state for the record what those
11 penalty provisions are?

12 A Yes, sir. The penalty provisions are 200
13 percent of the cost of surface equipment, 100 percent of
operating costs, and 300 percent of drilling costs.

14 Q Mr. Lansford, in your experience, would
15 you -- would it be your opinion that these nonconsent penal-
16 ties are similar to other operating agreements covering
17 wells in southeastern New Mexico drilled to a similar depth?

18 A Yes, sir.

19 Q Mr. Lansford, in any order entered in
20 this -- either of these cases, would you ask the Commission
21 to allow Alpha Twenty-One Production Company the maximum al-
lowable risk factor?

22 A Yes, sir, I would.

23 Q And that is 200 percent of cost?

24 A Yes, sir.

25 Q Also, relating to Exhibit Number Five,

1
2 the operating agreement, are you familiar with the rates
3 provided in the accounting procedure attached thereto for
4 drilling overhead and producing overhead and supervision
5 rates?

6 A Yes, sir. We charge a flat charge of
7 \$2500 a well for the drilling overhead and \$300 a month for
8 producing the well.

9 Q And is it your opinion that these are
10 comparable to supervision rates provided for other wells
11 drilled in southeastern New Mexico to a similar depth?

12 A Yes, sir.

13 Q And would you also request that in any
14 orders entered in these cases that a similar supervision
15 rates be provided for?

16 A Yes, sir.

17 Q Mr. Lansford, is it your opinion that
18 granting of the applications in Cases Number 8250 and 8251
19 will promote conservation, prevent waste, and protect corre-
20 lative rights?

21 A Yes, sir.

22 Q Mr. Lansford, were Exhibits Number One
23 through Five prepared by you or directly under your supervi-
24 sion?

25 A Yes, they were.

MR. STRAND: I have no further
questions of Mr. Lansford.

MR. STAMETS: Will some other

witness indicated what efforts have been made to contact the lady?

MR. STRAND: Yes.

CROSS EXAMINATION

BY MR. STAMETS:

Q What kind of a well did you get on that Mike No. 1?

A At the present time it's flowing between 23 through 28 barrels a day, oil; half barrel of water.

Q And your estimated cost for the second well would be essentially the same as the first well.

A Yes, sir.

MR. STAMETS: Are there any other questions of this witness? He may be excused.

JOE ALEXANDER,

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

DIRECT EXAMINATION

BY MR. STRAND:

Q Please state for the record your name, where you reside, and what your occupation is.

A My name is Joe Alexander. I reside at 1204 Sparks, Midland, Texas, and I'm an independent landman.

Q Mr. Alexander, have you ever testified

1 before the Division in the past?

2 A No, I have not.

3 Q Would you briefly state your educational
4 background and your experience as an independent consultant
5 landman?

6 A Well, in 1980 I retired out of the U. S.
7 Navy and moved to Midland, Texas, and at that time I under-
8 went an intensive training program under the tutelage of Mr.
9 Walter Holton and Mr. Bob Phipps.

10 Subsequent to that Mr. Phipps and I form-
11 ed a partnership known as Phipps and Alexander Oil and Gas
12 Properties and I have performed basically all facets of the
13 land work for various and sundry exploration companies in
14 Texas and New Mexico.

15 MR. STRAND: Mr. Examiner, are
16 Mr. Alexander's qualifications acceptable as a landman?

17 MR. STAMETS: Yes.

18 Q Mr. Alexander, are you familiar with the
19 applications in Cases Number 8250 and 8251 that Mr. Lansford
20 has testified to?

21 A Yes, I am.

22 Q Are you also familiar with the mineral
23 ownership under the two tracts involved, the southeast quar-
24 ter of the southeast quarter and the northeast quarter of
25 the southeast quarter of Section 32?

A Yes, I am.

Q As part of your employment in this matter

1
2 by Alpha Twenty-One Production Company, did you obtain
3 leases from mineral owners underlying these tracts?

4 A Yes, I did.

5 Q And did you also check records in Lea
6 County to determine as best you could what this mineral
7 ownership was?

8 A Yes, I did.

9 Q In carrying out these duties did you de-
10 termine after you had taken your leases that there remained
11 any uncommitted, nonleased mineral interests?

12 A Yes, there was.

13 Q Would you please state for the record
14 what those interests were?

15 A The one interest that remains unleased is
16 the interest of Lena B. Rogers.

17 Q And will you state again for the record
18 the extent of that interest?

19 A I believe it's a 4.2 percent undivided
20 mineral interest.

21 Q 4.7.

22 A 4.72 percent, I'm sorry.

23 Q Mr. Alexander, were your record checks
24 also confirmed by a drilling title opinion for the Mike No.
25 1 Well?

A Yes, they were.

Q I refer you to what we've marked as Exhi-
bit Number Six. Could you please describe that?

1 A Exhibit Number Six is a document that
2 I've drafted which briefly outlines the procedures that we
3 have taken in trying to locate Lena B. Rogers.

4 Q Would you briefly go through those steps
5 --

6 A All right.

7 Q -- that you've taken?

8 A Well, basically the steps we took were in
9 August, 1983 our first step, as usual, is to check with the
10 long distance operator for a telephone number. There was no
11 listing.

12 Q Let me interrupt for a moment. Have you
13 had any indication at all where Lena B. Rogers might have
14 resided?

15 A Yes, we had from a previous mineral
16 lease, we knew that Lena B. Rogers had at one time resided
17 in Los Angeles County, California.

18 Q And that was the extent of any known ad-
19 dress?

20 A And that was the extent of any address at
21 all that we had on her.

22 Q Okay, if you would proceed then with --

23 A Okay. On the 11th of August we checked
24 with the reception books of Lea County, New Mexico, to see
25 where the lease that she had previously signed was returned
to. It was returned to Lovington Abstract Company.

We checked with the abstract company and

1 they said that this was part of Gordon Holmes estate and had
2 been transferred to the GMC Company offices.

3 We checked with them. They had a record
4 of Lena Rogers but no address.

5 Q What was the date of that prior lease, do
6 you remember? What year?

7 A I do not right offhand. I do not.

8 Q Was it some years ago?

9 A Yes, it was; the early 1950s, I believe.

10 On 30 September we searched the Midland
11 County Library for a city directory or telephone listings in
12 the Los Angeles area and we could find none.

13 On the 9th of September made phone calls
14 to the Los Angeles City and County Tax Offices to see if
15 there was any record of Lena B. Rogers. They had none.

16 We sent requests on the 6th of October,
17 we sent requests to the California Bureau of Vital Statis-
18 tics requesting a death certificate.

19 On the 3rd of November they answered and
20 they had no record based on the information that we had.

21 On the 15th of November we hired -- we
22 employed Preferred Claim Service International, which is an
23 investigative service that specializes in locating hard to
24 find people.

25 On the 20th of February they reported
negative results and their report is an attachment to this.

On the 29th of February we went again to

1 the Lea County Reception books to see where the original
2 deed for Albert E. Rogers, Lena Rogers' husband was returned
3 to, and it was returned to Rogers Pattern in Los Angeles,
4 California.

5 We again went back to current city direc-
6 tories and Rogers Pattern no longer exists.

7 On the 23rd of May we contacted Petro-
8 Lewis Corporation, which was a previous lessee on this tract
9 of land, and had the previous lease we've spoken of from
10 Lena Rogers. They said that they had made several attempts
11 to locate Mrs. Rogers and her heirs and they had -- they
12 were unsuccessful and they did provide me with a copy of a
13 letter, which is an attachment here, they had sent to the
14 depository bank indicated on the prior lease and it was re-
turned, no longer at this address.

15 Q Mr. Alexander, your report would indicate
16 that you continued to make attempts to find Ms. Rogers even
17 after the Mike No. 1 Well had been drilled, is that correct?

18 A Yes, sir.

19 Q And are you continuing at the present
20 time --

21 A We are.

22 Q -- to follow up on any leads --

23 A Yes, sir.

24 Q -- you might obtain on her address, and
will you continue to do so throughout the drilling of --

25 A Yes, sir.

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Q -- the additional proposed well on the northeast quarter of the southeast quarter?

A Yes, sir.

Q Mr. Alexander, was Exhibit Number Six prepared by you or under your supervision?

A Yes, it was.

MR. STRAND: Mr. Examiner, I would move admission of Exhibits One through Six.

MR. STAMETS: These exhibits will be admitted.

MR. STRAND: I have no further questions.

MR. STAMETS: Are there any questions of the witness? He may be excused.

Anything further in either of these cases?

The cases will be taken under advisement.

(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 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 complete record of the proceedings in
the Examiner hearing of Case No. 8250/8251
heard by me on 7-11 1984.

[Signature], Examiner
Oil Conservation Division