

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

25 July 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Mesa Grande Resources	CASE
Inc. for compulsory pooling, Rio	8278
Arriba County, New Mexico.	

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	W. Perry Pearce
Division:	Attorney at Law
	Oil Conservation Commission
	State Land Office Bldg.
	Santa Fe, New Mexico 87501

For the Applicant:

1
2
3 MR. STOGNER: Call next Case
4 Number 8278.

5 MR. PEARCE: That case is on
6 the application of Mesa Grande Resources, Inc. for
7 compulsory pooling, Rio Arriba County, New Mexico.

8 Mr. Examiner, that case is to
9 be continued until August the 8th, 1984.

10 MR. STOGNER: Case Number 8278
11 will be so continued.

12 (Hearing concluded.)
13
14
15
16
17
18
19
20
21
22
23
24
25

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 and correct transcript of the proceedings in
the Examination of Case No. 8278,
heard by me on July 25 1984.
Michael P. Stoyne Examiner
Oil Conservation Division

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

8 August 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Mesa Grande Resources CASE
Inc. for compulsory pooling, Rio Arriba 8278
County, 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 W. Perry Pearce
Division: Attorney at Law
Oil Conservation Commission
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: James G. Bruce
Attorney at Law
HINKLE LAW FIRM
P. O. Box 2068
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

2

I N D E X

MICHAEL L. WALLACE

Direct Examination by Mr. Bruce 3

Cross Examination by Mr. Stamets 9

E X H I B I T S

Applicant Exhibit One, Plat 4

Applicant Exhibit Two, Document 5

MR. STAMETS: We'll call next Case 8278.

MR. PEARCE: That case is on the application of Mesa Grande Resources, Inc. for compulsory pooling, Rio Arriba County, New Mexico.

MR. BRUCE: Mr. Examiner, my name is Jim Bruce from the Hinkle Law Firm in Santa Fe, representing Mesa Grande Resources, and I have one witness to be sworn.

MR. PEARCE: Are there other appearances in this matter?

(Witness sworn.)

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

DIRECT EXAMINATION

BY MR. BRUCE:

Q Would you please state your name, city of residence, occupation and employer?

A My name is Michael L. Wallace. I live in Tulsa, Oklahoma. I am Land Manager and General Counsel for Mesa Grande Resources, Inc.

Q And have you previously testified before the OCD and had your qualifications as a landman made a mat-

1
2 ter of record?

3 A Yes.

4 Q And are you familiar with Mesa Grande Re-
5 sources' application in connection with this case and with
6 the land ownership matters relating to the areas embraced
7 within this application?

8 A Yes, I am.

9 MR. KELLAHIN: Mr. Examiner, is
10 the witness considered qualified?

11 MR. STAMETS: Yes.

12 Q Would you please state for the record,
13 Mr. Wallace, what Mesa Grande Resources seeks in this case?

14 A Mesa Grande Resources seeks an order
15 pooling all mineral interests from the top of the Gavilan
16 Mancos Pool to the base of the Dakota producing interval un-
17 derlying the west half of Section 23, Township 25 North,
18 Range 2 West, in Rio Arriba County.

19 MGR also seeks the consideration of the
20 cost of drilling and completing the well and allocation of
21 the cost of the well and the actual operating costs and
22 charges for supervision.

23 Also, MGR seeks to be designated as oper-
24 ator and to be allocated a charge for the risk involved in
25 drilling the well.

26 Q Would you please refer now to Exhibit
27 Number One and describe this exhibit for the Examiner?

28 A Exhibit Number One is a plat showing a 9-

1
2 section area with the wells, and in that area of the Gavilan
3 Howard No. 1, which, as you can see, is in the west half of
4 Section 23 and is outlined in yellow.

5 Q And are the offset operators and the
6 ownership of the producing unit shown?

7 A Yes, they are. Also, with -- if you'll
8 notice in the production key we show the different producing
9 intervals involved with the wells in the 9-section area.

10 Q What is the current status of the No. 1
11 Gavilan Howard Well?

12 A The well has been completed and is pro-
13 ducing; however, MGR has been unable to obtain the consent
14 of all the interest owners.

15 Q And the number of interest owners was not
16 really decided until a title opinion was recently completed,
17 is that correct?

18 A Yes. The Hinkle Law Firm prepared a
19 title opinion dated July 19th, 1984, and as there is a great
20 deal of fee interest owners in the northwest quarter of Sec-
21 tion 23, we were unable to completely determine if in fact
22 we had had all of the interest owners, which is the reason
23 we continued the case from the 25th of July.

24 Q Would you please now refer to Exhibit
25 Number Two and describe what acreage control Mesa Grande Re-
sources has in the area in question?

A Exhibit Number Two is divided into two
what I call committed interests.

1
2 Mesa Grande controls over 67 percent of
3 the acreage directly and has given working interest, carried
4 working interest to Dome Petroleum Corporation.

5 Northwest Pipeline Corporation, as shown
6 on the exhibit, controls 18.75 percent; Dugan Production
7 Company, 6-1/4; and A. G. Hill, 3.115 percent.

8 Q On a party by party basis would you de-
9 scribe your efforts to obtain the commitment of the unpooled
10 parties that are listed on Exhibit Two?

11 A Yes. Mr. Theodore A. White and Katherine
12 V. Winter were first attempted to be contacted in November
13 of 1982 when this well was initially planned.

14 The last known address for them was an
15 April 14th, 1952 address in Massapequa, New York. We at-
16 tempted to contact them there. We were unable to reach
17 them.

18 We also further attempted to contact
19 someone who we thought might be related to them because they
20 had the same last name and are in a well in the adjacent
21 section, which is also a lessor of Mesa Grande, and we found
22 that they did not have any -- they were not related in any
23 way.

24 For the second interest of Hazel D. Grif-
25 fith, the conveyance was given to her on September 27th of
1948. The conveyance read, her address was "of Tulsa".

26 We attempted to look through all the
27 phone books in the Tulsa Public Library. I looked through

1
2 the last seven years worth of phone books, from 1984 back
3 there was a gap of three. Then we looked at an additional
4 grouping of phone books and still couldn't find her listed
5 at all.

6 There are a great number of Griffiths so
7 we didn't bother to call every Griffith in Tulsa.

8 John E. Wilson, a very small working in-
9 terest, he was granted his interest by Mr. Earl Trus-
10 dale(sic) on June 30th, 1949. The address was "of Brooklyn,
11 New York."

12 I attempted to contact every John E. Wil-
13 son in Brooklyn, New York, of which there are seven plus one
14 Mrs. Wilson. By telephone conversation they all informed me
15 that they do not have an interest of any sort in any type of
16 land in the State of New Mexico.

17 Mary Beth Harkins was attempted to be
18 contacted at 3145 Northwest 25th Street of Oklahoma City.
19 The conveyance was given to her October 27th, 1948. We sent
20 a registered letter to her, which was returned in May. We
21 attempted also to contact her and I looked in the Tulsa Pub-
22 lic Library at the phone books for Oklahoma City over the
23 past ten to twelve years and she was not listed.

24 Those are the efforts that we have made.

25 Q What was the approximate cost of the com-
pleted well?

A The cost for the completed well was ap-
proximately \$703,510.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q And did all the committed working interest owners agree to this cost?

A Yes, they did and signed appropriate AFE's.

Q Does Mesa Grande wish to be named as operator of the proposed well?

A Yes, we do.

Q And do you have a recommendation as to the charge for the risk involved which should be granted to Mesa Grande for drilling this well?

A Yes, I recommend the maximum allowed by New Mexico statute, which I understand is 200 percent.

Q And is that amount in line with nonconsent provisions in joint operating agreements currently being used in the area?

A Yes, it is in line with those agreements.

Q Is the proposed -- or is the expense of the well in line with the expenses which are normally expected in drilling wells to this depth in this area?

A Yes, they are.

Q Do you have a recommendation as to the amount which Mesa Grande should be paid for supervision or administrative expenses?

A Yes. I'd recommend that we be paid \$3147 per month for a drilling well and \$485 per month be allowed for a producing well.

Q Are these amounts that you have just re-

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

commended in line with amounts normally charged by Mesa Grande and other operators for wells of this type in this area?

A Yes, they are. They fall directly in line with the amounts normally charged for our joint operating agreements are covering wells of this type in Rio Arriba County.

Q And have the consenting parties in this case agreed to these charges?

A Yes, they have.

Q In your opinion will the granting of Mesa Grande's application be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes, it will be.

Q Were Exhibits One and Two prepared by you or under your supervision?

A Yes, they were. They were -- Exhibit Number One was prepared directly under my supervision, wherein I gave the appropriate draftsman the information involved.

Exhibit Number Two was prepared directly by me.

MR. BRUCE: At this time, Mr. Examiner, I move the admission of Exhibits One and Two.

MR. STAMETS: These exhibits will be admitted.

1
2 MR. BRUCE: I have no further
3 questions of the witness.

4 CROSS EXAMINATION

5 BY MR. STAMETS:

6 Q Mr. Wallace, the cost for drilling and
7 producing of \$3147 and \$485, those have been agreed to by
8 Dome and Northwest and Dugan, et cetera?

9 A Yes, sir.

10 Q Okay. Now you said the well was com-
11 pleted and producing. From what formation or formations?

12 A It is producing from the Mancos formation
13 and from the Dakota formation.

14 Q And what kind of a well is it?

15 A It's an oil well. It -- it should be one
16 of the better wells in that area. Due to the fact of the
17 lack of gas connection we're unable at this time to produce
18 it fully and we've gone past our sixty days, so we've --
19 producing a very small amount.

20 But it should be quite a good producer.

21 MR. STAMETS: Any other ques-
22 tions of the witness? He may be excused.

23 Anything further in this case?

24 MR. BRUCE: I have nothing.

25 MR. STAMETS: The case 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 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 and correct record of the proceedings in the Examination hearing of Case No. 8278 heard by me on 8-8 19 84.

Richard H. [Signature], Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

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

NAME	REPRESENTING	LOCATION
C. J. Boyce	Amoco Prod Co	Denver
H. L. Kendrick	El Paso Natural Gas Co.	El Paso, TX
Michael L. Wallace	Meigs Grande Resources Inc.	Tulsa, OK
William L. San	Campbell + Black, P.A.	Santa Fe
GARY L. PAULSON	Amoco Prod. Co.	DENVER
Bob Hume	Byram	Santa Fe
Jim Bruce	Hinkle Law Firm	Santa Fe
Michael C. Styer	Amoco	Santa Fe
Tom Kelly	Pollution Control	Albany
Jack Cayias	Self	Albany
JACK T. LOWDER	ARCO OIL AND GAS CO.	MIDLAND, TX
JERRY SCARLOW	MINEL Inc.	Albany
W. T. Kellolin	Kellolin & Kellolin	Santa Fe
Les Clement	O. C. D.	Artesia
E. Robert Tisdale	Yates Petroleum Corp.	Artesia
Andrea Carpenter	Yates Pet. Corp.	Artesia
Jerry Sexton	OCCO	Hobbs

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date AUGUST 8, 1984 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
Mike Houston	Mesa Petroleum Co	Amarillo
George Dixon	" " "	Amarillo
Jim O'Brien	Gas Company of NM	H/B
Tommy A. Sanders	" " " "	"
W. F. Merchant	Apollo Energy, Inc.	H. Blos.
R. M. Williams	Morris R. Antweil	Hobbs
Wm. P. Aycock	Wm. P. Aycock Assoc. Inc	M. Alana