

## NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date SEPTEMBER 5, 1984 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
C J Boyce	Amoco Prod Co.	DENVER
Les Clements	N.M.O.C.D.	ARTESIA, N.M.
Breh Huller	Byram	Santa Fe
Betsy McMahon	Southern Union Explor.	Dallas
William A. Sam	Campbell and Black, P.A.	Santa Fe
Bruce Seltzer	American Oil	Midland
H. R. Kendrick	El Paso Natural Gas	El Paso, TX
G. L. Parker	Sun Expl. & Prod. Co.	Dallas, TX
Bob Walker	SUN Expl. & Prod. Co.	Midland, Tex
LETTY SAMUDIO	TENNECO OIL CO.	SAN ANTONIO, TX
Paul G. White	Blanco Engr., Inc	Artesia, N.M.
C.W. + Byrom	"	"
Karen Gubrey	Kellahin + Kellahin	Santa Fe
Terry Clay	Hillier OIL & GAS	MIDLAND, TEX
N. I. Kellahin	Kellahin + Kellahin	Santa Fe
Kevin Bliss	Marbob Energy	Artesia
John R. Green	Marbob Energy	— / —

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NAME	REPRESENTING	LOCATION
Tommy Roberts	Jerome P. McHugh	Farmington
John Roe	" " "	"
Chael Dickerson	Lane Conn + Dickerson	Artoria
Imet Richardson	Gates Petroleum Corporation	Artoria
Jim Bruce	Hinkle Law Firm	Santa Fe
Ernest L. Padilla	ATTY AT LAW	Santa Fe
Jerry McHugh	J.P. McHugh	FMN
Kent Craig	J.P. McHugh	DEN
JERRY SCARLOW		ALB
JACK CAYIAS	SELF	<del>THE</del> HOUSTON

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

5 September 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Amerind Oil Co. for  
compulsory pooling, Lea County,  
New Mexico.

CASE  
8319  
8320

BEFORE: Gilbert P. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Charles E. Roybal  
Attorney at Law  
Energy and Minerals Dept.  
525 Camino de Los Marquez  
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

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I N D E X

WILLIAM SELTZER

Direct Examination by Mr. Bruce	4
Cross Examination by Mr. Quintana	10

E X H I B I T S

Amerind Exhibit One, Plat	5
Amerind Exhibit Two, Operating Agreement	6
Amerind Exhibit Three, AFE	7
Amerind Exhibit Four, AFE	7

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3 MR. QUINTANA: The hearing will  
4 come to order for Docket 34-84.

5 The first case we'll call this  
6 morning will be Case 8319.

7 This is the application of Ame-  
8 rind Oil Company for compulsory pooling, Lea County, New  
9 Mexico.

10 MR. BRUCE: Mr. Examiner, my  
11 name is Jim Bruce with the Hinkle Law Firm in Santa Fe, and  
12 I have one witness to be sworn.

13 MR. QUINTANA: Are there any  
14 other appearances in this case?

15 MR. BRUCE: One other thing,  
16 Case 8320 involves the same land ownership matters and we  
17 would ask the Commission to hear both cases at the same  
18 time.

19 MR. QUINTANA: For the -- for  
20 the convenience of testimony we'll combine Case 8319 and  
21 8320. Let the record show that.

22 We'll call also Case 8320.

23 Are there any appearances in  
24 Case 8320?  
25

(Witness sworn.)

BILL SELTZER,

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 relationship to the applicant?

A My name is Bill Seltzer. I live in Midland, Texas. I'm an independent landman. I'm a land consultant for Amerind Oil Company.

Q Have you previously testified before the New Mexico OCD and had your qualifications as a landman made a matter of record?

A Yes.

Q Are you familiar with Amerind's applications in connection with these two cases and with the land ownership matters relating to the areas embraced within the applications?

A Yes.

MR. BRUCE: Mr. Examiner, is the witness considered qualified?

MR. QUINTANA: Yes, he is.

Q Mr. Seltzer, would you please state for the record what Amerind seeks in these two cases?

A Amerind seeks orders pooling all the mineral interest in the Pennsylvanian formation underlying the

1 north half of the northwest quarter of Section 28, Township  
2 16 South, Range 37 East, as to Case 8319, and underlying the  
3 south half of the northwest quarter of Section 28, 16 South,  
4 Range 37 East, as to Case Number 8320.

5 In each instance Amerind proposes a well  
6 to be drilled at a standard location within each 80-acre  
7 tract.

8 Amerind also seeks in each case consider-  
9 ation of the cost of drilling and completing each well, al-  
10 location of the cost of each well, and also, the actual  
11 costs and charges for supervision.

12 Also Amerind seeks to be designated as  
13 operator and to be allocated a charge for the risk involved  
14 in drilling each well.

15 Q Would you please refer now to Exhibit  
16 Number One and describe that for the Examiner?

17 A Exhibit Number One is a plat showing the  
18 four sections area with wells in that area noted on the plat  
19 as well as proposed wells located on the two 80-acre tracts  
20 in the northwest quarter of Section 28.

21 Q In your position as a land consultant for  
22 Amerind, are you advised as to Amerind's plans for drilling  
23 of wells in this area?

24 A Yes.

25 Q And with reference to Exhibit One would  
you please describe for the Examiner what Amerind proposes  
in connection with the development of the northwest quarter

1 of Section 28?

2 A Amerind proposes to drill a well in each  
3 80-acre tract to approximate depth of 11,600 feet in order  
4 to test the Pennsylvanian formation.

5 Both wells will be within the Northeast  
6 Lovington Pennsylvanian Pool, which requires 80-acre spac-  
7 ing. In fact, Amerind is drilling the No. 1 Spite Well and  
8 is down to approximately 8650 feet at the present time.

9 Q Would you please now refer to Exhibit  
10 Number Two and describe what acreage Amerind controls in the  
11 two areas?

12 A Exhibit Number Two is a joint operating  
13 agreement for the entire northwest quarter of Section 28.

14 Exhibit A attached to the operating  
15 agreement is a list -- is a list of the parties who have in-  
16 terest in the northwest quarter of 28 as of July 1, 1984.

17 Since that date we have secured farmouts  
18 from Shell Oil Company and a lease from Dorothy Jean Van-  
19 Zandt Sanders; therefore, Amerind's interest is now 77.9698  
percent.

20 In addition thereto, Amerind and Black-  
21 burn Oil Company have joined in the drilling of this No. 1  
Well.

22 The remaining nonconsenting parties own  
23 approximately 12-1/2 percent in the acreage.

24 Q And these parties who have consented have  
25 joined only in the No. 1 Well at this time, is that correct?



1  
2           A           That's right, they've only joined in the  
3 one.

4           Q           On a party by party basis, would you de-  
5 scribe your efforts to obtain the commitment of the unpooled  
6 parties that you've just mentioned?

7           A           The Sohio Oil Company was forwarded a  
8 certified -- a copy by certified mail of the operating  
9 agreement and AFE requesting them to join. That was on July  
10 the 11th, 1984. I have periodically called them. In fact,  
11 I called them five times last week requesting an answer to  
12 join us in drilling this well, and they have refused to give  
13 me an answer.

14                       J. R. McKinley and his family, Cleroy,  
15 Inc. and Lanroy, Inc. are all out of Tulsa, Oklahoma, and  
16 have advised me that they will not join, will not farmout,  
17 but go ahead and farm me -- go ahead and force pool them ac-  
18 cording to your New Mexico statutes.

19           Q           Would you please now refer to what is  
20 marked as Exhibits Three and Four and explain those for the  
21 Examiner?

22           A           Exhibit Three is an AFE for the No. 1  
23 Speight Well with estimated costs of completed producing  
24 well is \$720,000.

25           Q           And the same figures are used --

          A           The same figure is on Exhibit Four. It's  
the same -- same AFE only a different location.

          Q           Does Amerind wish to be named as operator

1  
2 of both of these proposed wells?

3 A Yes.

4 Q Do you have a recommendation as to a  
5 charge for the risk involved, which should be granted to  
6 Amerind for drilling the wells?

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

9 Q Is that amount in line with current non-  
10 consent provisions and joint operating agreements being ne-  
gotiated and used in this area?

11 A Yes, it is.

12 Q Are the proposed expenses of the two  
13 wells, reflected on Exhibits Three and Four, in line with  
14 expenses which are normally expected in drilling wells to  
this depth in this area?

15 A Yes, these proposed expenses are well in  
16 line with the cost of other wells drilled to this depth in  
17 the general area.

18 Q Do you have a recommendation as to the  
19 amount which Amerind should be paid for supervision or ad-  
20 ministrative expenses?

21 A Yes, it is our recommendation that \$4000  
22 per month be allowed for drilling wells and \$400 per month  
be allowed for producing wells.

23 The accounting procedures set forth these  
24 amounts are attached in Exhibit C of our operating agree-  
25 ment.

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Q Are the amounts that you have just recommended in line with amounts normally charged by Amerind and other operators for wells of this type in this area?

A Yes, these fall directly in line with the amounts normally called for in the joint operating agreements covering wells of this type in the general area. These are the same charges used by Amerind for its other wells in the Northeast Lovington Pennsylvanian Pool.

Q In your opinion will the granting of Amerind's application in these two cases be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes.

Q Were Exhibits One through Four prepared by you or under your supervision?

A Exhibits One and Two were prepared by me. Exhibits Three and Four, which are the AFE's, were prepared by Mr. Bob Lybrook, Vice President of Amerind.

MR. BRUCE: Mr. Examiner, at this time I'd move the admission of Exhibits One through four, and I have no further questions.

MR. QUINTANA: Exhibits One through four will be admitted into evidence.

#### CROSS EXAMINATION

BY MR. QUINTANA:

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Q Mr. Seltzer, I have a couple questions for you.

A Okay.

Q First of all, I'd like to clarify on both Well No. 1 and 2, the same people that -- non-consenting interest owners, are the same for both wells?

A Yes. The interest is common throughout the north half of Section 28 as to mineral interest and leasehold interest.

Q Sohio, J. R. McKinley, Junior, and Cleroy and Lanroy were all the non-consenting interest owners in both wells?

A Correct.

Q One other question, please, sir. You recommended a 200 percent penalty, maximum penalty. I notice there's -- are there other wells in the area that have produced from this interval?

A Yes.

Q On what do you base your 200 percent recommendation?

A On the -- we had a compulsory pooling on the quarter section right north of there. You'll see the No. 1 Higgins and No. 2 Higgins.

Q Yes.

A We had compulsory pooling there, and those penalties were granted in those two instances.

Q No further questions.

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MR. QUINTANA: Are there any questions, further questions of the witness? He may be excused.

Cases 8319 and 8320 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 Examiners hearing of Case No. 8319 & 8320  
heard by me on SEPT 5 1984.  
Robert P. Puntoma, Examiner  
Oil Conservation Division