

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

5 March 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Manzano Oil Corpor-
ation for compulsory pooling, Lea
County, New Mexico.

CASE
8844

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
Legal Counsel to the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin
Attorney at Law
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501

I N D E X

STATEMENT BY MR. KELLAHIN

3

BILL ANDERSON

Direct Examination by Mr. Kellahin

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E X H I B I T S

Manzano Exhibit One, Plat

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Manzano Exhibit Two, AFE

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Manzano Exhibit Three, Survey

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Manzano Exhibit Four, Correspondence

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MR. STOGNER: This hearing will
come to order.

We will call next Case Number
8844.

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

MR. STOGNER: Call for appear-
ances.

MR. KELLAHIN: If the Examiner
please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing
on behalf of the applicant and I have one witness to be
sworn.

MR. STOGNER: Are there any
other appearances?

There appear there being none,
will the witness please stand and be sworn at this time?

(Witness sworn.)

MR. KELLAHIN: If the Examiner
please, we have advertised this case to include several op-
tions in terms of forced pooling.

As of today two of those op-

1 tions are no longer necessary.

2 We have in the south half of
3 this section now either under lease or an agreement to par-
4 ticipate all of the ownership except for a 1.6 percent in-
5 terest in the southwest quarter.

6 The proposed well is to be lo-
7 cated in the northwest of the southeast and the only time
8 this open acreage interest is affected is in the event we
9 are successful with a deep gas test and the spacing would be
10 on 320.

11 All the other spacing options
12 would be for less acreage and we have control of that ac-
13 reage.

14 The 1.6 percent interest in the
15 southwest quarter is an undivided interest and is owned
16 among three individuals that we've not been able to obtain
17 leases from.

18 We would propose, Mr. Examiner,
19 a forced pooling order but we do not propose a risk factor
20 penalty to be assessed against those owners, and therefore
21 we have taken the liberty of deleting the geologic and en-
22 gineering testimony, and I'd like to present to you Mr. Bill
23 Anderson, who is a petroleum landman to document his efforts
24 to obtain leases from these three individuals, to confirm
25 the status of the lease ownership, to authenticate the AFE,

1 to suggest to you some overhead rates, and to show you the
2 notices have been fulfilled for these parties, and then we
3 would stop and request that you simply grant us a forced
4 pooling order for 320-acre spacing and for no risk factor
5 penalty.

6 This would allow us to have a
7 full 320-acre spacing unit pooling these three individuals,
8 and should they subsequently desire or be able to lease to
9 us, then we will obtain the leases.

10 And if not, then after we re-
11 cover our share of the cost of the well out of production,
12 we would start paying them their interest.

13
14 BILL ANDERSON,

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

17
18 DIRECT EXAMINATION

19 BY MR. KELLAHIN:

20 Q Mr. Anderson, for the record would you
21 please state your name and occupation?

22 A My name is William C. Anderson of Ros-
23 well, New Mexico, and I'm a petroleum landman and partner of
24 Anderson and Anderson Oil and Gas of Roswell, New Mexico.

25 Q Would you describe, Mr. Anderson, what it

1 is that you do as a petroleum landman?

2 A I am -- my job entails, well, it's cap-
3 tioned as a -- as a field lease broker, and what I do is
4 contract to other oil companies my services to make a check
5 of the county records for fee lands and of the state records
6 of state lands and determine ownership of those lands, in-
7 cluding mineral ownership and leasehold ownership and then
8 in the case of any open, available mineral interest, I at-
9 tempt to lease that interest for that company, or obtain
10 farmouts from other lessees in the area in order to put to-
11 gether a drilling prospect.

12 Q Mr. Anderson, have you been retained by
13 Manzano Oil Corporation to perform those functions in their
14 behalf?

15 A Yes, I have.

16 Q And have you done that with regards to
17 the acreage involved in the south half of Section 11, Town-
18 ship 16 South, Range 36 East, Lea County, New Mexico?

19 A Yes, I have.

20 MR. KELLAHIN: We tender Mr.
21 Anderson as an expert petroleum landman.

22 MR. STOGNER: Mr. Anderson is
23 so qualified.

24 Q Mr. Anderson, let me direct you first of
25 all to Exhibit Number One, and have you describe generally

1 what the composition is of the ownership with regards to the
2 oil and gas interest involved in the south half of Section
3 Number 11.

4 A Exhibit Number One is a plat of the en-
5 tire section of Section 11, 16 South, 36 East, and the lines
6 drawn on this plat show tracts of common ownership, whether
7 it be a fee tract or a state tract, and the names and num-
8 bers I have put on there are either lessees or mineral own-
9 ers and the net acre interest they own in each one of those
10 tracts and the percentage of each one of those tracts owned
11 by those people.

12 Q When did you first commence your efforts
13 on behalf of Manzano Oil Corporation to document the various
14 interest owners and then attempt to lease or consolidate the
15 operating rights into one company?

16 A Let me explain that a company by the name
17 of Robert Edsel of Dallas, Texas, first went into this sec-
18 tion and started buying leases in October of 1983 and con-
19 tinued through the summer of 1984.

20 About the end of 1984 a company doing
21 business as Wolfcamp 1985 Venture, which is a subsidy of
22 Manzano Oil Corporation, acquired all of the leases that
23 were bought by Robert Edsel.

24 Manzano Oil Corporation then contracted
25 Anderson and Anderson Oil and Gas to acquire the remaining

1 open mineral interests in the name of Wolfcamp 1985 Venture.

2 Q About what time were you contracted to
3 continue efforts with regards to forming a voluntary unit?

4 A I would say June of 1985.

5 Q And at the time you were contracted, ap-
6 proximately what interest did Wolfcamp, now Manzano, control
7 in the south half of the section?

8 A I would say they controlled about 40 per-
9 cent.

10 Q As of today, Mr. Anderson, through your
11 records, what percentage of the interest involved in the
12 south half of this section remain uncommitted on a voluntary
13 basis to the drilling of the subject well?

14 A 1.6 percent of the southwest quarter,
15 which would be 0.8 percent of the south half.

16 Q Let me turn your attention to Exhibit
17 Number Four in the package of documents submitted to the
18 Examiner.

19 Mr. Anderson, do the names listed on this
20 Exhibit Number Four represent those individuals that have
21 not yet agreed to join or to farmout or lease their
22 interests?

23 A Yes, they do.

24 Q Would you start, for example, with Mrs.
25 Opal Poovy and summarize -- would you summarize for us,

1 first of all, what interest Mrs. Poovy has in the southwest
2 quarter?

3 A Okay. Mrs. Poovy owns a $1/840$ th mineral
4 interest in the southwest quarter of Section 11, which is
5 0.19048 net acres.

6 Q Do that one more time, 0.19 --

7 A 0.19048 net acres.

8 Q And that's her net acres in the southwest
9 quarter?

10 A Correct.

11 Q And to get her interest, then, in the
12 320, you would have to divide that number in half.

13 A Correct.

14 Q All right. When we turn to Mr. Nagel,
15 what net acre interest does he have in the southwest quar-
16 ter?

17 A Mr. W. Jim Nagel owns a $1/112$ th mineral
18 interest in the southwest quarter, which is 1.42857 net ac-
19 res in the southwest quarter.

20 Q All right, sir, when we turn to Alva
21 Hagen, what interest does she have in the southwest quarter?

22 A She owns a $1/168$ th mineral interest, or
23 0.95238 net acres in the southwest quarter.

24 Q Let's start with Mrs. Poovy, now, Mr. An-
25 derson, and have you describe and summarize for us what ef-

1 forts you have made to locate her and if located, what ef-
2 forts you've made to either obtain a lease or to obtain her
3 joinder in the unit.

4 A Okay. Let me explain, first of all, that
5 the title to the southwest quarter, actually the title to
6 this entire section, is based on a title opinion that was
7 requested by Mr. Robert Edsel prior to his leasing activi-
8 ties, and we did not do a record check of this area. We
9 relied on the title opinion for the interest owned.

10 We did update the title opinion from its
11 -- I think it was dated in 1983 and we checked the records
12 from 1983 to the present, to check to see if there was any
13 change in title, and we were supplied abstracts that Mr. Ed-
14 sel had gotten and also the title opinion, and so we -- I
15 take -- let's see, we started leasing for Wolfcamp in about
16 the summer of 1985 and began leasing the largest mineral
17 owners and worked our way down to the smallest mineral own-
18 ers, and in January I began my attempt to find the people
19 that we hadn't leased yet, and I leased continuously from
20 January 13th through February 5th, which was my first at-
21 tempt to locate Opal Poovy.

22 And if you'll hold on a second, I need to
23 find something.

24 The last address we had for Opal Poovy
25 was El Dorado, Arkansas, and I attempted calling directory

1 assistance to get a telephone number and there was none, so
2 I called a sister who had previously leased and asked her if
3 she knew the whereabouts of Opal Poovy and obtained a phone
4 number from this sister and called this residence and Mrs.
5 Poovy was not there. I was told by whoever answered the
6 phone to call a company by the name of Mississippi Lamin-
7 ating, and to talk to either Mrs. Poovy's husband or his
8 partner in this company, and I never did talk to Opal or her
9 husband but I left a message with the partner for them to
10 call me.

11 I might add that the new phone number was
12 in Shaputa, Mississippi. That was on February 5th.

13 On February 12th I received a call from
14 the husband of Mrs. Poovy and offered him \$100 total bonus
15 consideration to lease her interest for a one year term with
16 a one-quarter royalty interest, and a \$100 total bonus
17 worked out to \$525 per net acre.

18 Mr. Poovy was not very excited about this
19 offer and told me that Mrs. Poovy was in the hospital and
20 she couldn't be contacted, but he would discuss my offer
21 with her and call me back.

22 And then I never did return -- receive a
23 call from Mr. Poovy.

24 On March 4th I called Mr. Poovy and he
25 was not in and I left a message for him to call me and he

1 never did return my call.

2 Q In your opinion, Mr. Anderson, does the
3 offer made to Mrs. Poovy represent a reasonable and fair of-
4 fer for her interest in this acreage?

5 A Yes, I do.

6 Q With regards to Mr. Nagel, what efforts
7 have you made to locate Mr. Nagel?

8 A February 3rd I made my first attempt to
9 locate Mr. Jim Nagel and my last known address for him was
10 in Colorado Springs and I called directory assistance and
11 they had no phone number of Mr. Nagel, and I went to the
12 public library and looked in the phone book for a phone num-
13 ber for Mr. Nagel and could not find one.

14 So I called the sister of Mr. Jim Nagel.
15 Her name is Irma Redwine and she has leased and she said
16 that she did not know the whereabouts of her brother, Jim
17 Nagel, and had not had any contact with him for three years,
18 but the last time she knew, he was in Oklahoma City. He had
19 moved from Colorado Springs to Denver and then to Oklahoma
20 City, but she did not have any address or phone number for
21 Mr. Nagel.

22 And she said she would try to locate him
23 for me and would call back or I could call her back.

24 And on February 20th I called Irma Red-
25 wine again -- now let me back up.

1 On February 12th I called a lady by the
2 name of Opal Salee (sic) who was a niece of Mr. Nagel who
3 had instigated a District Court suit back in the sixties to
4 straighten out this family title, and I thought she might
5 have some information on Mr. Nagel but she had no idea who
6 he was or where he lived and she was surprised that he had
7 any interest in the -- in the tract.

8 She was not aware that he was even re-
9 lated to the family and did not have any information on his
10 whereabouts or how I could contact him.

11 On February 20th I called Irma Redwine
12 back and she had not had any luck locating Mr. Nagel and on
13 March 4th I went to the local Chamber of Commerce and
14 checked the city directories of Oklahoma City, Tulsa, and
15 Denver for a residence for Jim Nagel and found no listing.

16 Q Mr. Anderson, have you exhausted at this
17 time all reasonable efforts to locate Mr. Nagel?

18 A Yes, I have.

19 Q All right, let's turn to Alva Hagen and
20 have you describe your efforts to obtain Mrs. Hagen's lease
21 of her interest in the area.

22 A On February 5th I made my first attempt
23 to locate Alva Hagen and I had an address of Dallas, Texas,
24 for her, and called directory assistance and got a phone
25 number for a Mr. Franklin Hagen in Mesquite, Texas, and I

1 called Mr. Franklin Hagen, hoping that he was a relative of
2 Alva Hagen and he could tell me where to contact her, and
3 after a conversation with Mr. Hagen I determined that he was
4 not related and so I called a brother of Alva Hagen, who is
5 Mr. Lawrence Cox, in Arizona, and I got a number for a Mr.
6 Cox but after a conversation with this Mr. Cox it was deter-
7 mined that the brother of Alva Hagen was deceased and that I
8 had reached a nephew of the same name, and he did not have
9 any idea of the whereabouts of Alva Hagen but he told me to
10 call a person by the name of Leman (sic) Cox in Ft. Worth
11 and I could not locate a phone number for Mr. Leman Cox.

12 On February 12th I called Mr. Franklin
13 Hagen back to get some additional information, and I found
14 out that Alva Hagen was living in Mesquite, Texas, where Mr.
15 Franklin Hagen lived, and that she was living in a rest home
16 where the wife of Franklin Hagen worked but they were not
17 related.

18 But Mr. Hagen did give me a phone number
19 of a daughter of Alva Hagen.

20 So I called the daughter of Alva Hagen,
21 who is Miss -- Mrs. Fay Robinson, and I learned that Alva
22 Hagen was totally incompetent and could not knowingly exe-
23 cute any documents. And I told her that I would call her
24 back after I investigated any possibilities of getting a
25 lease from her mother.

1 On February 20th I called Mrs. Fay
2 Robinson again and explained to her that the only way we
3 could get a lease from Mrs. Alva Hagen was for a
4 conservatorship to be established for Alva Hagen and which,
5 the conservator would execute documents in behalf of Alva
6 Hagen and Mrs. Robinson, because of financial problems and
7 other problems, declined to establish a conservatorship for
8 her mother and agreed with me that forced pooling would be
9 best for the present time, but at a later date they may do
10 some other deal.

11 Q Mr. Anderson, let me direct your
12 attention back to Exhibit Number Two and ask you to identify
13 Exhibit Number Two.

14 A Exhibit Number Two is a Authorization for
15 Expenditure which was prepared by Kenneth Barbee, who is a
16 Vice President of Manzano Oil Corporation. This is an AFE
17 for their proposed Huggins No. 1, located 1980 feet from the
18 south line and 1980 feet from the east line of Section 11,
19 Township 16 South, Range 36 East, of Lea County, New Mexico,
20 with a proposed depth of 12,000 feet.

21 Q Is this the AFE being utilized by Manzano
22 Oil Corporation to circulate participation among those
23 working interest owners that have elected to participate in
24 the well?

25 A Yes, it is.

1 Q Would this be the AFE that you would re-
2 commend the Examiner utilize in the entry of a forced pool-
3 ing order in this case?

4 A Yes, I would.

5 MR. KELLAHIN: Exhibit Number
6 Three, Mr. Examiner, is simply a copy of the Ernst and Whin-
7 ney Overhead Charges. We would request, sir, that you enter
8 reasonable overhead charges using the gas well depth indi-
9 cated on the survey between 10,000 and 15,000 feet, using an
10 average number of 4855 drilling well rate and average
11 monthly number on a producing well of \$496.

12 That concludes my questions of
13 Mr. Anderson.

14 Exhibit Number Four, attached
15 to Exhibit Number Four as attachments, Mr. Stogner, are let-
16 ters to Mrs. Hagen and Mrs. Poovy from my office; also re-
17 turn receipt cards showing that those letters have been re-
18 ceived by those individuals.

19 Attached on the very end is the
20 certified letter to Mr. Nagel, showing that it was returned
21 to us. The addressee is unknown at that address and we did
22 receive that communication back. We've not been able to
23 find the gentleman.

24 That concludes our presenta-
25 tion. We would move the introduction of Exhibits One

1 through Four.

2 MR. STOGNER: Exhibits One
3 through Four will be admitted into evidence at this time.

4 I have no questions of Mr.
5 Anderson.

6 Are there any other questions
7 of this witness?

8 If not, he may be excused.

9 Is there anything further in
10 Case Number 8844 at this time?

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

13

14 (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 (Commission) 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 proceedings in
the examiner hearing of Case No. 8844,
heard by me on 5 March 1986.

Michael P. Hagan Examiner
Oil Conservation Division