

Case No.

2047

Application, Transcript,
Small Exhibits, Etc.

**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:**

**CASE No. 2047
Order No. R-1755**

**APPLICATION OF TENNESSEE GAS
TRANSMISSION COMPANY FOR AN
ORDER FORCE-POOLING ALL
MINERAL INTERESTS IN A 320-
ACRE GAS UNIT IN THE WEST
KUTZ-DAKOTA POOL, SAN JUAN
COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 10, 1960, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 23rd day of August, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Tennessee Gas Transmission Company, is the owner of an oil and gas lease comprising the SW/4, W/2 NW/4, and the SE/4 NW/4 of Section 27, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico.
- (3) That the applicant seeks an order force-pooling all interests in the W/2 of said Section 27, including that of Pan American Petroleum Corporation in an oil and gas lease comprising the NE/4 NW/4 of said Section 27 in order to form a standard 320-acre gas proration unit in the West Kutz-Dakota Pool comprising the W/2 of Section 27, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico.
- (4) That the applicant has made diligent effort to secure the consent of all non-consenting interest owners to the establishment of this standard unit.

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CASE No. 2047
Order No. R-1755

(5) That Pan American Petroleum Corporation has expressed its consent to the inclusion of its above-mentioned lease in the standard unit with the provision that its share of the oil and gas in place is not to be produced.

(6) That from an administrative and engineering standpoint, it is neither feasible nor practicable to provide that a certain share of oil and gas in place is not to be produced from a particular proration unit.

(7) That this case was duly advertised as provided by law, and, other than the aforesaid expression of Pan American Petroleum Corporation in a letter to the Commission, no objection was received to the application from any non-consenting interest owner.

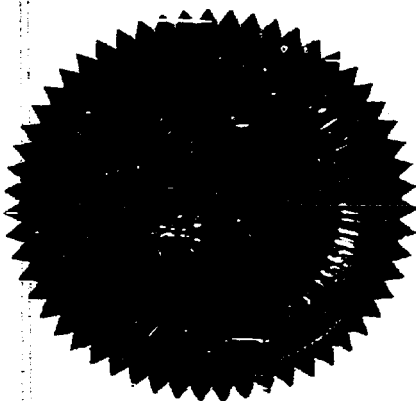
(8) That denial of the subject application would deprive both the applicant, Tennessee Gas Transmission Company, and all non-consenting interest owners in the proposed unit of the opportunity to recover their just and equitable share of the production from the West Kutz-Dakota Pool.

(9) That approval of the subject application will neither cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

That the interests of all persons having the right to drill for, produce, or share in the production of dry gas and associated liquid hydrocarbons, or either of them, from the West Kutz-Dakota Pool underlying the W/2 of Section 27, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, be and the same are hereby force-pooled to form a standard 320-acre gas proration unit in the West Kutz-Dakota Pool comprising all of said acreage.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John Burroughs
JOHN BURROUGHS, Chairman

Murray E. Morgan
MURRAY E. MORGAN, Member

A. L. Porter, Jr.
A. L. PORTER, JR., Member & Secretary

esx/

GOVERNOR
JOHN BURROUGHS
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
MURRAY E. MORGAN
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY DIRECTOR

P. O. BOX 871
SANTA FE

August 23, 1960

Mr. Oliver Seth
Box 828
Santa Fe, New Mexico

Re: Case No. 2045 & 2047
Order No. R-1754 & R-1755

Applicant:
The Ohio Oil Company
Tennessee Gas Trans. Co.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission orders recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC X
Artesia OCC
Aztec OCC X

Other

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
AUGUST 10, 1960

EXAMINER HEARING

IN THE MATTER OF:

CASE 2047 Application of Tennessee Gas Transmission Com- :
pany for an order force-pooling all mineral :
interests in a 320-acre gas unit in the West :
Kutz-Dakota Pool. Applicant, in the above- :
styled cause, seeks an order force-pooling all :
Dakota Producing Interval mineral interests in :
the 320 acres comprising the W/2 of Section 27, :
Township 29 North, Range 13 West, West Kutz- :
Dakota Pool, San Juan County, New Mexico. The :
mineral interest owners in the said 320-acre :
tract include Hugh J. Mitchell, Raimonda Mit- :
chell, Barbara Head Couturi, Robert H. Clifton, :
Mildred C. Foutz, Dorothy C. Malloy, Martha :
Head, Lucy M. Marcelino, Hattie M. McClure, :
Willard H. Head, George J. Head, Helen C. Hayes, :
Harry T. Head, Mary E. Hodgson, Dorothy G. Head, :
Gladys Slaughter Smith, Frederick J. Head, Pan :
American Petroleum Corporation, H. K. Riddle, :
Glenn H. Callow, Arnold E. Carle, Ivan Otstot :
and Mabel Otstot. :

BEFORE:

Elvis A. Utz, Examiner

T R A N S C R I P T O F P R O C E E D I N G S

MR. UTZ: Case 2047.

MR. PAYNE: Case 2047. Application of Tennessee Gas
Transmission Company for an order force-pooling all mineral inter-

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ests in a 320-acre gas unit in the West Kutz-Dakota Pool.

MR. SETH: William Federici and Oliver Seth of Seth, Montgomery, Federici & Andrews, for Tennessee Gas Transmission Company. We have two witnesses, Mr. Jerry Lacey and Mr. Sanders.

(Witnesses sworn)

MR. UTZ: Any other appearances in this case?

JOHN J. LACEY,

called as a witness, having been previously sworn, testified as follows:

DIRECT EXAMINATION

BY MR. SETH:

Q Will you state your name, please?

A John J. Lacey.

Q By whom are you employed?

A Employed by an operating division of Tennessee Gas Transmission as district engineer in this district office in Durango, Colorado.

Q You have previously testified before the New Mexico Oil Conservation Commission?

A Yes, I have.

Q In your capacity with Tennessee Gas, are you familiar with the application in this case?

A Yes, I am.

Q Does the area in question come within your jurisdiction?

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A Yes, it does.

Q Would you state very briefly the purpose of the application?

A The purpose of the application is requesting a forced pooling of the west half of Section 27, 29 North, 13 West, San Juan County, New Mexico in order that we might have a full 320-acre unit to drill a Dakota well.

Q Do you have a plat prepared that shows this?

A Yes, I do.

Q This area in question?

A Yes, I do.

(Whereupon, Applicant's Exhibit 1 marked for identification.)

Q Now, would you state for the Commission what this plat shows?

A This plat shows the location of the acreage under discussion, and the west half of Section 27 is outlined in red.

Q Would you state, please, the interest owners in this west half, as you know them?

A 280 acres in the west half of Section 27 is a working interest of 7/8ths of Tennessee Gas and Oil Company, and 1/8th of Big Chief Drilling Company. 40 acres in the northeast quarter of the northwest quarter is a hundred percent working interest, Pan American Petroleum Corporation.

Q Do you know the royalty interests or other interests



in the Pan American portion, do you know the names of the parties?

A I don't know for sure.

Q Have you been advised --

A Yes, I have.

Q -- from whatever information is available as to Pan American's interest owners?

A Yes, I have been advised.

Q Would you state to the Commission who these interest owners are as you best know them?

A Well, the royalty interest owners under the acreage controlled by Tennessee Gas and Oil and Big Chief Drilling Company are Hugh J. Mitchell, Raimonda Mitchell, Barbara Head Couturi, Robert H. Clifton, Mildred C. Foutz, Dorothy C. Malloy, Martha Head, Lucy M. Marcelino, Hattie M. McClure, Willard H. Head, George J. Head, Helen C. Hayes, Harry T. Head, Mary E. Hodgson, Dorothy G. Head, Gladys Slaughter Smith, Frederick J. Head. The Pan American royalty interest under the 40 acres is H. K. Riddle, Glenn H. Callow, Arnold E. Carle, Ivan Otstot and Mabel Otstot.

Q Are you familiar with the spacing rules of the Commission for the Dakota interval in this area?

A Yes, I am. 320 acres, consisting of either two contiguous quarter sections of either the northerly half or south half or east half and west half of a governmental section.

Q Under these existing rules, can a well be drilled on the Tennessee Gas Transmission tract in the west half?

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A No, it cannot. Tennessee's acreage in the west half of 27 consists of 280 acres.

Q That's too small a tract?

A That's too small a tract to drill a Dakota well under the present spacing rules.

Q With the addition of the Pan American tract, you will have a full 320, approximately?

A Yes, within the tolerance of the governmental half sections.

Q That will be of sufficient size for a Dakota well?

A Yes.

Q What type of well do you contemplate? Do you contemplate a single?

A We contemplate drilling a Dakota single completion located approximately in the northwest quarter of Section 27.

Q Do you expect, as best you know now, this entire west half to be productive of gas in the Dakota formation?

A Yes, the entire west half of the Section 27 will be productive from the Dakota.

Q In your opinion, if this application is not granted, will Tennessee Gas Transmission be prevented from securing its fair share of oil and gas?

A Yes, it will, because we will be unable to drill a well in the west half of Section 27 and drain the acreage.

Q Is the Dakota gas prorated at the present time?



A No, at the present time the Dakota gas is not prorated by the Commission but is subject to pipeline prorationing by the purchaser of the gas.

Q In the event the application is granted, do you have any recommendations as to how this should be prorated between the Pan American and Tennessee Gas?

A Since all the acreage is productive, I would recommend it be prorated on the basis of surface acreage contributed to the 320-acre drilling unit proportionately, 1/8th and 7/8ths.

MR. SETH: That's all the direct examination. We would like, if we may have permission, to recall the witness at the conclusion of Mr. Sanders' testimony.

MR. PAYNE: Your other witness will testify as to the efforts of communitization?

MR. SETH: Yes, he will. We wanted to get this first.

MR. PAYNE: All right.

WILL SANDERS, JR.,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. FEDERICI:

Q Will you state your name?

A Will Sanders, Jr., Denver, Colorado. I'm the division attorney for Rocky Mountain area of Tennessee Gas Transmission Company.



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Q Have you appeared before the Commission as a witness?

A Never as a witness. I have appeared as counsel.

Q Will you state your educational background and some of your experience?

A Yes. I am a graduate of Denver University Law School in 1947. I practiced oil and gas law most exclusively for thirteen years, five years with Continental Oil Company. General attorney for Bay Petroleum Corporation, which was purchased by Tennessee Gas some five and a half years ago, and have remained as their division attorney in the Rocky Mountain area.

Q During that period of time, have you drafted operating agreements, and communitization agreements, and pooling agreements?

A Considerable number, yes.

Q What is your present occupation? By whom are you employed presently?

A Tennessee Gas Transmission.

MR. FEDERICI: Are the witness' qualifications acceptable?

MR. UTZ: The witness is qualified as a legal witness.

Q (By Mr. Federici) Will you state to the Commission the negotiations and attempts by Tennessee Gas Transmission Company to enter into operating agreements or similar agreements with Pan American Petroleum Corporation?

A Yes. In the summer of 1959 it became obvious that the well under discussion to be located in the west half of Section 27,



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Township 29 North, Range 13 West was a development well and should be drilled and produced as such from the Dakota formation. We, therefore, contacted the other working interest owners in regard to an operating agreement and an appropriate communitization agreement as to enable us to continue this drilling program. In September of 1959 both Big Chief Drilling Company and Pan American agreed that they would drill the said well, and Pan American asked that we submit to them an operating agreement and communitization agreement, which we did submit in rough. After considerable negotiation, we submitted to them under date of January 22, 1960 a communitization agreement and an operating agreement. Shortly after their receipt thereof, they informed us by telegram, a copy of which I have with me, that due to their policies, a management policy, they did not intend to produce any Dakota gas unless it was absolutely necessary, and, therefore, could not agree to the drilling of this well. After considerable further negotiations and contacting and trips to Fort Worth and Farmington by our people from various segments of our organization, the Pan American people did execute an operating agreement, which was returned to us in May of this year, which operating agreement did strike therefrom the provision which allows the operator, which is Tennessee Gas in this situation, to sell the gas in the event that any of the non-operators do not have a market or have not made some arrangements by which they could market their gas during the thirty-day period, which sale of the gas would be on the same basis as



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obtained by the operator. This agreement was submitted with a letter in which they also informed us that in the event that we did market any of their gas we would be held liable to them for conversion. It put us in the position of not being able to drill the well and market the gas for fear of marketing Pan American's gas and being held liable for conversion. That is basically the situation as it stands at this point.

Q Did you subsequently submit an amending agreement, or was that prior thereto?

A We then did draft an agreement after certain other negotiations, which is in the nature of a split-stream type of agreement by which both parties could market their gas under different periods, and in the event that Pan American did not desire to market its gas in the near future, they would be allowed to take a greater proportion at a later date made up from Big Chief's and Tennessee's portion of the gas. However, the agreement did provide therein that each party would indemnify the other party in the event that the reservoir would be depleted prior to the time that each party would have obtained his proportionate share therefrom because of lack of reservoir pressure or destruction of the reservoir, or collapsing of casing, any other reason that might be cause for ceasing of the flow of the gas.

Q Was that acceptable?

A No, it was not, because they decided, as before, that they just didn't care to market their gas on any arrangement in the



near future.

Q Are these agreements which you submitted to Pan American the usual and customary type used in the oil and gas industry?

A Well, the communitization agreement certainly is. The operating agreement was on our usual form, and it is a type of agreement as to the pertinent portions with which we're concerned here, which provides that the operator will operate the properties that the parties thereto might take the product in kind, and provides out of necessity that in the event that a non-operator does not desire to take his product in kind, that the operator will be allowed to dispose of it under the terms, under the same terms and conditions as it disposes of its own products for short intervals, which can be recurring intervals, so as to make possible the marketing of the product.

Q Did the negotiations and agreements contain some provision for reimbursement costs?

A Yes, the usual accounting procedures attached to the operating agreement, and, as such, is ever in dispute.

Q In fact, that was attached to the agreement?

A Was attached to the agreement, and apparently agreed to by Pan American. As I say, they apparently have signed the operating agreement, a copy of which I have here, and only struck out the provision concerning our marketing of the gas during these periods, and initially, it would appear they had agreed to all of the other terms and conditions contained therein.

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Q What was that method of reimbursement, I mean by time period?

A We -- you mean reimbursement to them?

Q Well, costs.

A For all drilling and operating costs, why, they'll be submitted during the following month and billed and paid at that time, by the 20th of the succeeding month.

Q In your opinion, should a provision for that be included in the order?

A I believe some provision for reimbursement for costs should be included in the order.

Q In your opinion and from your experience as to what is customary, who do you believe should be designated operator?

A I believe Tennessee Gas Transmission Company, being the largest owner of the working interest in the drilling unit, should be the operator.

Q In your opinion, is the forced pooling the only reasonable method of operating for this particular unit?

A It would appear, from our knowledge of the statute, that it would either have to be forced pooling or a non-standard unit. We would prefer a non-standard unit. We are not submitting that as a proposal, as such, at this time, but we would like the Commission to consider it if it could possibly be arranged. We're perfectly willing to take only 7/8ths allocation from the unit and allow the other 1/8th to remain in the ground, if necessary, so as to

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enable us to get the 7/8ths out.

Q Under a forced pooling order, would you propose to sell the gas, account for the proportionate shares of the gas?

A Under the same terms and agreements as we would sell our own gas to the only line that can hook up to this particular field.

Q In your opinion, should the order contain such a provision?

A I would believe so, due to the fact that, as we all know, the sale of gas into Interstate Commerce can only be accomplished as a result of obtaining a Certificate of Necessity from the Federal Power Commission, and the Federal Power Commission has jurisdiction over all gas sales. So, therefore, the only way we can sell the gas is to obtain such a certificate.

Q In your opinion, without a forced pooling order and in the absence of an operating agreement, would Tennessee Gas Transmission be able to fully recover all its fair share of the oil or gas in the pool?

A No, I do not believe it's possible for Tennessee Gas to obtain its fair and equitable share of the gas from this pool, due to the fact that we have been threatened with a suit which will, in essence, charge us with conversion and make us liable for any gas taken from the reservoir which might be the property of Pan American or their royalty or overriding royalty interest owners. That makes it impossible for us to determine at just which point



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in the operation of this well we have left in the ground a sufficient amount of gas backed up by a sufficient amount of pressure to afford Pan American the opportunity of receiving its just and equitable share. Therefore, the only way that both parties can receive their just and equitable share from this well is to simultaneously produce at the same rate and other than that--understand, I am not an engineer, of course, but Mr. Lacey will testify further in regard to this matter.--there is no known definite method by which we can determine when Pan American's share is in the ground, and only that share plus the reservoir energy that will push it out.

Q I think you have probably answered this, but I'll ask you if, in your opinion, would a forced pooling order afford to Tennessee Gas Transmission Company the opportunity to receive its just and equitable share of the gas from this pool?

A Only if such a forced pooling order would provide that we could market the gas.

Q Would a forced pooling order afford Pan American the opportunity to receive its just and equitable share of the gas?

A Only with the same provision, because it would be possible that a forced pooling would not provide for the method, because there's no means, as I have just mentioned, of determining when Pan American's share only is left in the ground, and it will take care of this 1/8th plus their royalty and overriding royalty interest owners.

Q You have the same opinion with reference to other min-



eral interest owners?

A Correct.

Q In your opinion, would the forced pooling order in this case be in the interest of conservation?

A I believe so, because my experience with conservation practices is that a reservoir or pool should be produced in such a manner so as not to provide waste and to provide for the most economical ultimate recovery of the product, whether it's gas or oil in place. It would seem to me that Section 65-3-14(c) of the New Mexico Oil Conservation Commission law, which provides: "All orders requiring such pooling shall be upon terms and conditions that are just and reasonable and will afford to the owner of each tract in the pool the opportunity to recover or receive his just and equitable share of the oil or gas or both in the pool as above provided so far as may be practicably recovered without waste." I believe that that sentence carries sufficient authority to allow the Commission to provide that a party who is forced pooled should be allowed to recover his just and equitable share, and that the Commission has the power to make the terms thereof which will so allow.

Q Does Tennessee Gas have any objection to Pan American taking their gas in kind?

A None whatsoever. As stated, we have submitted to them an agreement which will allow them to do just that.

Q The designation of operator would imply, would it not,

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that they are in charge of the drilling?

A That Tennessee is?

Q Yes.

A Yes.

Q And the production and the sale --

A Right.

Q -- of the gas?

A Yes.

MR. FEDERICI: That's all.

CROSS-EXAMINATION

BY MR. PAYNE:

Q Mr. Sanders, inasmuch as your communitization was not successful with the working interest owners, did you contact the royalty owners on your communitization?

A No, we always leave that until after the working interest owners have agreed. We had no time or eason to do that in this case.

Q It goes without say that if the Commission forces pools, you would be entitled to market your gas insofar as the Commission in concerned?

A Yes.

Q That doesn't alleviate your problem, you still have to get your permission from the Federal Power?

A I mentioned that we must get our certificate and have



our contract approved.

MR. UTZ: The hearing is adjourned until one-fifteen.

(Recess)

AFTERNOON SESSION

MR. UTZ: The hearing will come to order.

MR. FEDERICI: I would like to ask the witness another question.

MR. UTZ: All right.

REDIRECT EXAMINATION

BY MR. FEDERICI:

Q Mr. Lacey had testified with respect to the mineral interest ownership, and it may have been incorrect. Would you state from the information that you have what the mineral interest ownership is in this area?

A It was only incorrect as far as the overriding royalty owners and the fee lease owners or lessors are concerned. The lessor under the 280-acre tract, in which Tennessee and Big Chief are the working interest owners, is: Glenn H. Callow is the lessor and the owner of 1/8th royalty. The overriding royalty interest owners are also Glenn H. Callow and Ruth E. Callow, Arnold E. Carle, C-a-r-l-e, H. K. Riddle. The 40-acre Pan American tract, the overriding royalty interest owners are: Hugh J. Mitchell and Raimonda, R-a-i-m-o-n-d-a Mitchell. The split mineral ownership in the fee tract there starts with Barbara Head Couturi, and as it

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shows in our records, et al. Those are all the other parties set out in the application. I can read them off if you want me to.

MR. UTZ: They have been read into the record, I think.

MR. FEDERICI: I believe that's all.

RECROSS-EXAMINATION

BY MR. PAYNE:

Q The forced pooling order that Tennessee seeks here, if I understand your testimony correctly, you want it to provide that Tennessee is to get their proportionate share of the cost of the well from Pan American and other working interest owners in the event of production, plus a reasonable charge for operation and supervision?

A Correct.

Q Now, do you propose to sell the gas that presumably would be owned by Pan American, or are you asking for some kind of stipulation in the forced pooling order covering this point?

A Yes.

Q What is that?

A We believe that the order should be so phrased as to make it mandatory that we sell proportionately on an acreage basis every working interest owner's share under the best possible market we can obtain which, there only being one, being the hook-up with El Paso, there's only one way to get the gas to market. We believe the order should be so phrased as to permit us to market the gas without threat of a suit for conversion by Pan American

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at some later date because of their refusal to sell, enter into a contract and sell the gas in Interstate Commerce at this time.

MR. PAYNE: I see. Thank you.

QUESTIONS BY MR. UTZ:

Q Do you know whether or not Pan American is in Interstate Commerce at the present time or not?

A Yes, they are. In other Dakota wells in the same general field.

Q Do you know of your own knowledge what the difference is between this and other tracts that they have in the immediate area?

A It's been our understanding, we have discussed this with them, not only from this well, but from other situations, that there have been certain obligatory wells that they have had to drill themselves to protect their leasehold interest from applied covenants in order to hold the lease. In this situation they do not have to hold the lease by production. Therefore, they want to keep the gas in the ground and attempt to sell it at a later date at a better price.

Q Then, they do object to your selling their gas?

A Yes, sir. They don't want to take it in kind because there's no place to store it. Therefore, it makes it, as I said, impossible for us to recover our just and equitable share of the reservoir without endangering ourselves with a prospective law suit.

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MR. PAYNE: Also makes it rather rough on the royalty owner under the 40-acre tract?

A That's correct. That royalty owner, if we did produce, would not receive any royalty because, theoretically, the amount of gas credited to that net acreage would receive no royalty.

Q (By Mr. Utz) Have you been in touch with the royalty owners under that 40-acre tract at all?

A No, sir, we haven't because they're Pan American's royalty owners and not ours.

Q Do you know whether or not Pan American would object to your producing and selling 7/8ths of an allowable from this tract? Well, in the event there is an allowable, there will be an allowable?

A Well, Pan American has informed us that they will hold us responsible, if we do produce the well, for conversion of this product. In essence, they are stating we can take our 7/8ths out, but we had better leave their 1/8th in.

Q In any event, if you take 7/8ths allowable for every ten-acre unit, isn't that what you would be doing, taking yours and leaving theirs in?

A It would if we can determine when theirs has been left and when ours has been taken out, plus the reservoir energy remaining in the ground to push the 1/8th out.

MR. UTZ: Are there other questions of the witness? If there are not, the witness may be excused. Do you have anything

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more?

MR. FEDERICI: No, not from this witness.

MR. UTZ: You may be excused.

(Witness excused)

MR. SETH: I would like to call Mr. Lacey for a few questions.

MR. UTZ: All right.

JOHN J. LACEY,

recalled as a witness, having been previously sworn, testified as follows:

REDIRECT EXAMINATION

BY MR. SETH:

Q You have heard the testimony about this proposal or whatever term you want to call it about leaving 1/8th of the gas in the ground, which presumably would be Pan American's 1/8th, until the last, to take it out last. As an engineer, is that a feasible or practical solution to this problem?

A I would say no. You could never precisely determine what the total reserves are. You could make approximations on it, but the only thing, you could set an arbitrary figure that this well or this 320-acre tract has so many reserves and we could take, we could produce it until we had produced 7/8ths of those, and say the remaining eighth belonged to Pan American. However, it would be very conceivable that the well could have production beyond these arbitrary reserves that you might set. It's conceivable that

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something could happen to the well, the productivity of the well would change or decrease, and you may not be able to do that.

Q If this determination, the burden of making this determination, were put on the operator, it could be quite severe and create quite a risk, too, could it not?

A Yes. The fact that the Dakota formation produces not only gas but condensate, and that gas, the condensate that you would recover is a continually changing figure. The gas condensate ratio will be low at the beginning, early life of the well, and become higher and higher, less condensate recovery toward the end of the life of the well. You would also have to determine when we had produced 7/8ths of the condensate and leave an eighth. You could never get the gas and condensate at one time to come out so that we had produced 7/8ths and left an eighth of each.

Q What is the practical solution?

A I would say the practical solution is Tennessee as an operator, the largest working interest, would be to drill and complete the well and produce it prudently and make the best arrangements it could to market the gas and make an accounting to the various interests and royalty interests, and pay them a proportionate share of what they received.

Q This is the way it is customarily done?

A This is the normal way it's done.

MR. SETH: That's all.

MR. PAYNE: As a matter of fact, that's the purpose

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of the forced pooling, is it not?

A Yes. I would say yes.

RE CROSS-EXAMINATION

BY MR. UTZ:

Q Even if you formed a non-standard unit here and produced only 7/8ths of the 320-acre unit, at some point during the completion period of the pool you or someone else in the pool would have produced that other 1/8th of gas, would they not?

A That's right.

Q So, there's no practical solution to leaving 1/8th of that reserve in the ground?

A There's no way of determining. Our share of the gas and their share of the gas is so intimately commingled or together that there is no way you can make a reasonable way of separating it and taking a portion out and leaving a portion in the ground.

Q Not unless they want to build them an impermeable fence?

A Right.

MR. UTZ: That's all I have.

MR. SETH: That's all the testimony we have. We would like to offer our Exhibits if we haven't already. I think we just had the one, the plat.

MR. UTZ: Exhibit No. 1 will be entered into the record.

(Whereupon, Applicant's Exhibit 1 received in evidence.)

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MR. UTZ: Any other statements in this case?

MR. PAYNE: Mr. Examiner, we have received communications from Pan American Petroleum Corporation and Big Chief. Big Chief does not object to being forced pooled in this unit. Pan American states that they have no objection to being forced pooled but they put certain limitations on it, and we'll place their entire communication into the record.

MR. UTZ: Does that letter state their objection to a normal communitization?

MR. PAYNE: More or less.

MR. UTZ: Any other statements? The case will be taken under advisement.

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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 18th day of August, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
 NOTARY PUBLIC

My Commission expires:

June 19, 1963

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of case No. 2047 heard by me on Aug 10, 1960.

Christine M. [Signature] Examiner
 New Mexico Oil Conservation Commission

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ALBUQUERQUE, NEW MEXICO



CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION

TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

SYMBOLS

DL = Day Letter

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OIL CONSERVATION COMMISSION CAPITOL BLDG

SANTA FE NMEX=

BIGCHIEF ENTERS ITS APPEARANCE IN CASE NUMBER 2047 AND
 CONSENTS TO THE APPLICATION OF TENNESSEE GAS TRANSMISSION
 CO FOR FORCED POOLING=

BIGCHIEF DRILLING CO=

MAIN OFFICE OKC

=2047.

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 8-11-60

CASE 2047

Hearing Date 8-11-60

My recommendations for an order in the above numbered cases are as follows:

1. Grant Tennessee's forced pooling request as follows:

(a) Write usual forced pooling order & pool Pan American's NENW/4 27-28N-13W with the balance of the W/2 sec. 27.

(b) This ~~320~~ well should be allowed to produce the 320 acre allowable with the stipulation that all owners in the unit shall be paid according to their interest.

(c) Pan-Arm shall pay their share of ~~the~~ well costs and ~~a reasonable~~ operating costs.

(d) We cannot, as I see it, compel an operator to leave a portion of a unit's reserve in the ground.

Staff Attorney

CASE 2045: Application of The Ohio Oil Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Lea Unit Federal Well No. 1, located in unit L, Section 12, Township 20 South, Range 34 East, Lea County, New Mexico, in such a manner as to permit the production of oil from an undesignated Bone Springs Pool and the production of oil from an undesignated Devonian Pool through parallel strings of 2 3/8-inch tubing.

CASE 2046: Application of Tennessee Gas and Oil Company for permission to transfer oil well allowables. Applicant, in the above-styled cause, seeks an order authorizing it to transfer, for a period of 60 days, the allowable assigned to its Glenn Callow Well No. 11 to its Glenn Callow Well No. 9, both in Section 28, Township 29 North, Range 13 West, San Juan County, New Mexico, in order to conduct pressure interference tests.

CASE 2047: Application of Tennessee Gas Transmission Company for an order force-pooling all mineral interests in a 320-acre gas unit in the West Kutz-Dakota Pool. Applicant, in the above-styled cause, seeks an order force-pooling all Dakota Producing Interval mineral interests in the 320 acres comprising the W/2 of Section 27, Township 29 North, Range 13 West, West Kutz-Dakota Pool, San Juan County, New Mexico. The mineral interest owners in the said 320-acre tract include Hugh J. Mitchell, Raimonda Mitchell, Barbara Head Couturi, Robert H. Clifton, Mildred C. Foutz, Dorothy C. Malloy, Martha Head, Lucy M. Marcelino, Hattie M. McClure, Willard H. Head, George J. Head, Helen C. Hayes, Harry T. Head, Mary E. Hodgson, Dorothy G. Head, Gladys Slaughter Smith, Frederick J. Head, Pan American Petroleum Corporation, H. K. Riddle, Glenn H. Callow, Arnold E. Carle, Ivan Otstot and Mabel Otstot.

DOCKET: EXAMINER HEARING AUGUST 10, 1960

Oil Conservation Commission - 9 a.m. - Mabry Hall, State Capitol, Santa Fe

The following cases will be heard before ELVIS A. UTZ, Examiner, or OLIVER E. PAYNE, Attorney, as alternate examiner:

- CASE 2041: Application of Amerada Petroleum Corporation for permission to commingle the production from several separate leases. Applicant, in the above-styled cause, seeks permission to commingle the production from the Saunders (Permo-Pennsylvanian) Pool from three State leases in Sections 3 and 4, Township 15, Range 33 East, Lea County, New Mexico.
- CASE 2048: Application of Rice Engineering & Operating, Inc. for an order authorizing a salt water disposal well. Applicant, in the above-styled cause, seeks an order authorizing the disposal of produced salt water through its Gladiola SWD Well No. H-5, formerly known as the Sinclair Kendrick Estate Well No. 3, located 1980 feet from the North line and 660 feet from the East line of Section 5, Township 12 South, Range 38 East, Gladiola Pool, Lea County, New Mexico, with injection to be in the Devonian formation in the interval from 12,223 feet to 12,500 feet.
- CASE 2042: Application of Texaco Inc. for permission to commingle the production from two separate pools and for an amendment of Order No. R-1608. Applicant, in the above-styled cause, seeks permission to commingle the production from the Crossroads-Devonian Pool and from an undesignated Mississippian Pool from all wells on its U. D. Sawyer lease comprising the E/2 of Section 34, Township 9 South, Range 36 East, Lea County, New Mexico. Applicant further seeks an amendment of Order No. R-1608 to provide that the automatic custody transfer system therein authorized can be utilized to handle said commingled production.
- CASE 2043: Application of Texaco Inc. for an oil-oil-oil triple completion. Applicant, in the above-styled cause, seeks an order authorizing the triple completion of its C. P. Falby "B" Well No. 4, located in unit L, Section 8, Township 22 South, Range 37 East, Lea County, New Mexico, in such a manner as to produce oil from the Eumont Gas Pool, oil from the Penrose-Skelley Pool, and oil from the Drinkard Pool through 3 parallel strings of 2 3/8-inch tubing.
- CASE 2044: Application of Gulf Oil Corporation for an amendment of Order No. R-1605. Applicant, in the above-styled cause, seeks an amendment of Order No. R-1605 to permit the inclusion of the Lea State "AR" Lease, consisting of the S/2 of Section 33 and the SW/4 of Section 34, Township 19 South, Range 35 East, Pearl-Queen Pool, Lea County, New Mexico, in the commingling authorization granted by said order. Applicant further seeks an amendment of said order to provide that the automatic custody transfer system therein authorized be permitted to handle said commingled production.

PAN AMERICAN PETROLEUM CORPORATION

OFFICE OCC

OIL AND GAS BUILDING

OFFICE OCC

 1500 AUG 11 1:37 PM
 ALEX CLARKE, JR.
 DIVISION ENGINEER

FORT WORTH, TEXAS

August 4, 1960

AUG 8 1960

File: GWK-392-986.510.1

 Subject: Case No. 2047
 Application of Tennessee
 Gas Transmission Company
 For An Order Force-Pooling
 All Mineral Interests in a
 320-Acre Gas Unit In The
West Kutz-Dakota Pool

Mr. A. L. Porter, Jr.
 New Mexico Oil Conservation Commission
 P. O. Box 871
 Santa Fe, New Mexico

Dear Sir:

In the above referenced case, to be held before an Examiner on August 10, 1960, Tennessee Gas Transmission Company is requesting an order force-pooling certain mineral interests in the W/2 of Section 27, T-29-N, R-13-W, in the West Kutz-Dakota Pool, San Juan County, New Mexico. Pan American Petroleum Corporation owns the working interest in the NE/4 NW/4 of Section 27.

Pan American Petroleum Corporation has no objection to the pooling of its interest into Tennessee's proposed Dakota Gas Unit. Pan American and Tennessee have been negotiating over a protracted period of time in an effort to reach a mutually satisfactory operating contract for including Pan American's interest in such unit. The unresolved difference between the companies is that Pan American, should production be encountered, at this time does not desire to commit its Dakota gas to disposition by Tennessee, which no doubt would result in dedication of its proportionate share of the gas to a market not of our selection, probably interstate in nature.

In the event the Commission approves Tennessee's request for force-pooling, Pan American, as a working interest owner, will pay the proportionate share of the reasonable actual direct development and operational costs in cash rather than from any proportionate share of Dakota gas production from the unit well.

We respectfully request that the above statement be read into the record of Case 2047.

Very truly yours,

GWK:lj

File: GWK-392-986.510.1

-2-

August 4, 1960

cc: Tennessee Gas Transmission Company
Box 2511
Houston, Texas
Attention: Mr. R. M. Stephens

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE NO. 2047

IN THE MATTER OF THE APPLICATION OF
TENNESSEE GAS TRANSMISSION COMPANY
FOR AN ORDER REQUIRING THE POOLING
OF ALL MINERAL INTEREST OWNERS IN
THE NORTHEAST QUARTER OF THE NORTH-
WEST QUARTER (NE/4 NW/4) OF SECTION
TWENTY-SEVEN (27), TOWNSHIP TWENTY-
NINE (29) NORTH, RANGE THIRTEEN (13)
WEST, IN THE WEST KUTZ DAKOTA POOL
WITH THE INTERESTS OF THOSE IN THE
REMAINDER OF THE WEST HALF (W/2) OF
SAID SECTION TWENTY-SEVEN (27). THE
OWNERS OF THE MINERAL INTERESTS IN
THE NE/4 NW/4 OF SECTION 27, TOWN-
SHIP 29 NORTH, RANGE 13 WEST ARE:
HUGH J. MITCHELL, RAIMONDA MITCHELL,
BARBARA HEAD COUTURI, ROBERT H.
CLIFTON, MILDRED C. FOUTZ, DOROTHY C.
MALLOY, MARTHA HEAD, LUCY M. MARCELINO,
HATTIE M. McCLURE, WILLARD H. HEAD,
GEORGE J. HEAD, HELEN C. HAYES,
HARRY T. HEAD, MARY E. HODGSON,
DOROTHY G. HEAD, GLADYS SLAUGHTER SMITH
AND FREDERICK J. HEAD, AND PAN AMERICAN
PETROLEUM CORPORATION. THE MINERAL
INTEREST OWNERS IN THE REMAINDER OF THE
W/2 OF SAID SECTION 27 ARE: H. K. RIDDLE,
GLENN H. CALLOW, ARNOLD E. CARLE, IVAN
OTSTOT AND MABEL OTSTOT.

A P P L I C A T I O N

Comes now TENNESSEE GAS TRANSMISSION COMPANY and requests an
Order from the New Mexico Oil Conservation Commission requiring the
pooling of the interests in the West Half (W/2) of Section Twenty-
Seven (27), Township Twenty-Nine (29) North, Range Thirteen (13)
West, San Juan County, New Mexico, and states that:

1. It is the owner of an oil and gas lease covering the
SW/4, W/2NW/4, SENW/4 of Section 27, Township 29 North, Range 13
West.

*Rockwell
Mailed*

*July 26, 1960
GR
-1-*

2. That Pan American Petroleum Corporation is the owner of an oil and gas lease covering the NE/4 NW/4 of Section 27, Township 29 North, Range 13 West.

3. That the owners of the mineral interests in the NE/4NW/4 are: Hugh J. Mitchell, Raimonda Mitchell, Barbara Head Couturi, Robert H. Clifton, Mildred C. Foutz, Dorothy C. Malloy, Martha Head, Lucy M. Marcelino, Hattie M. McClure, Willard H. Head, George J. Head, Helen C. Hayes, Harry T. Head, Mary E. Hodgson, Dorothy G. Head, Gladys Slaughter Smith, Frederick J. Head and Pan American Petroleum Corporation. That the owners of the mineral interests in the remainder of the W/2 of said Section 27 are: H. K. Riddle, Glenn H. Callow, Arnold E. Carle, Ivan Otstot and Mabel Otstot.

4. That the area involved is believed to be within the West Kutz Dakota Pool.

5. That an Order of the Commission for forced pooling is required; otherwise applicant will be deprived of the opportunity to recover its just and equitable share of the natural gas within the West Kutz Dakota Pool.

Wherefore, applicant requests that the Commission enter its Order requiring the pooling of the interests set out above.

Respectfully submitted,

TENNESSEE GAS TRANSMISSION COMPANY

By

Wm. Federico
SETH, MONTGOMERY, FEDERICI & ANDREWS
Santa Fe, New Mexico

Attorneys for Applicant

