

CASE 2174: Application of YATES  
Petro. for an order force-pooling  
a 322.2-acre gas unit in the Atoka-  
Penn. Gas Pool.

*Handwritten notes:*  
Approved  
James H. [unclear]  
[unclear] [unclear]  
[unclear] [unclear]

Case No.

2174

Application, Transcript,  
Small Exhibits, Etc.

DOCKET: EXAMINER HEARING - WEDNESDAY, FEBRUARY 8, 1961

OIL CONSERVATION COMMISSION - 9 A. M., CONFERENCE ROOM - STATE LAND OFFICE  
BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Oliver E. Payne, Attorney, as alternate examiner:

- CASE 2171: Application of Amerada Petroleum Corporation for permission to commingle the production from several separate pools and for an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to commingle the production from the Justis-Blinebry, Justis-Drinkard, Justis-Fusselman, and an undesignated 5000 foot pay zone from all wells presently completed or hereafter drilled on the Ida Wimberley Lease comprising portions of Sections 24, 25 and 26, Township 25 South, Range 37 East, Lea County, New Mexico. Applicant further seeks permission to install an automatic custody transfer system to handle said commingled production.
- CASE 2172: Application of Rice Engineering & Operating, Inc. for a salt water disposal well. Applicant, in the above-styled cause, seeks an order authorizing the disposal of produced salt water through its Gulf Houston Well No. 1, located 1980 feet from the South and East lines of Section 19, Township 12 South, Range 38 East, Lea County, New Mexico, with injection to be in the Devonian formation in the interval from 12,200 feet to 12,500 feet.
- CASE 2173: Application of Yates Petroleum Corporation for an order force-pooling a 322.4-acre gas proration unit in the Atoka-Pennsylvanian Gas Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Atoka-Pennsylvanian Gas Pool in the S/2 of Section 21, Township 18 South, Range 26 East, Eddy County, New Mexico. Interested parties include J. N. Hawkins, J. W. Potter, William H. Swearingen, Smith B. Crane, Frank F. Coon, A. F. Escobar, Olive E. Harrison, Pan American Petroleum Corporation, Mayme Ressinger, J. R. Raymond, Isabell Gallegos, Alice Heck Martin, Maze Heck Pinnell, Wave Heck Hill.

CASE 2174: Application of Yates Petroleum Corporation for an order force-pooling a 322.2-acre gas proration unit in the Atoka-Pennsylvanian Gas Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Atoka-Pennsylvanian Gas Pool in the N/2 of Section 28, Township 18 South, Range 26 East, Eddy County, New Mexico. Interested parties include William H. Swearingen, Alice Heck Martin, Maze Heck Pinnell, Wave Heck Hill, J. W. Potter, James W. Hall and Mrs. Lucille Ruddell South.

CASE 2175: Application of Sunray Mid-Continent Oil Company for an oil-oil dual completion utilizing two strings of casing. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its State "Y" Well No. 1, located in Unit G, Section 32, Township 18 South, Range 31 East, Eddy County, New Mexico, in such a manner as to permit the production of oil from the Culwin-Yates Pool and the production of oil from the North Shugart Queen-Grayburg Pool through parallel strings of 2 7/8-inch casing cemented in a common well bore.

CASE 2176: Application of Honolulu Oil Corporation for a pressure maintenance project. Applicant, in the above-styled cause, seeks an order authorizing it to install a pressure maintenance project in the Horseshoe-Gallup Oil Pool by the injection of water into the Gallup formation through its Navajo Well No. 4, located in the SE/4 SE/4 of Section 5, Township 31 North, Range 17 West, San Juan County, New Mexico. Applicant further seeks the adoption of special rules governing the operation of said project.

CASE 2177: Application of Phillips Petroleum Company for an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to install an automatic custody transfer system to handle the Corbin-Abo Pool production from all wells presently drilled or hereafter completed on the Eilliams Federal Lease comprising portions of Sections 33 and 34, Township 17 South, Range 33 East, Lea County, New Mexico.

CASE 2178: Application of Humble Oil & Refining Company for permission to commingle the production from several separate leases and for an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to commingle the

CASE 2178: (Cont.)

Horseshoe-Gallup Oil Pool production from all wells presently completed or hereafter drilled on the Navajo "F" lease, comprising all of Sections 3, 4, 9, and 10, the Navajo "G" lease, comprising all of Sections 1, 2, 11 and 12, and the Navajo "M" lease, comprising the NE/4 of Section 5, all in Township 31 North, Range 17 West, San Juan County, New Mexico. Applicant further seeks permission to install an automatic custody transfer system to handle said commingled production.

CASE 2179:

Application of Drilling and Exploration Company, Inc. for approval of the Mescalero Ridge Unit Agreement. Applicant, in the above-styled cause, seeks approval of the Mescalero Ridge Unit Agreement, which unit embraces 7521 acres of Federal and State lands in Township 19 South, Range 34 East, Lea County, New Mexico.

CASE 2180:

Application of Great Western Drilling Company for an order force-pooling a 40-acre proration unit in the Eumont Gas Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Eumont Gas Pool in the SE/4 NE/4 of Section 32, Township 19 South, Range 37 East, Lea County, New Mexico. Interested parties include Dr. Hans May, B. A. Bowers, Estate of George F. Henneberry, William R. Kershaw, C. B. Neal, Fred Manley, Mae Williams, and W. L. Crutchfield.

CASE 2181:

Application of Gulf Oil Corporation for approval of the Hackberry Hills Unit Agreement. Applicant, in the above-styled cause, seeks approval of the Hackberry Hills Unit Agreement, which unit embraces 13,920 acres in Townships 21 and 22 South, Ranges 25 and 26 East, Eddy County, New Mexico.

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 2/13/61

CASE NO. 2174

HEARING DATE 2/8/61 9am DSN SF

My recommendations for an order in the above numbered case(s) are as follows:

Enter an order for pooling all mineral interests within the Atoka Pennsylvanian Gas Pool underlying a 322.238 acre ~~unit~~ gas unit comprising the N/2 Sec 8, T 18 S, R 26 E, Eddy Co., N. Mex.

Provide that operator may withhold from total production proceeds any party's interests in said production who has not previously paid his share of total well costs, withholding such share until said share of total costs has been paid, provided however that <sup>any</sup> royalty interests any of such parties may own shall not be withheld

*hals*

*[Signature]*  
Staff Member  
Examiner



309 CARPER BUILDING  
ARTESIA, NEW MEXICO

S. P. YATES  
PRESIDENT  
HARVEY E. YATES  
VICE PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
SECRETARY  
HUGH W. PARRY  
TREASURER

February 10, 1961

Mr. Daniel S. Nutter  
Oil Conservation Commission  
State Land Office Building  
Santa Fe, New Mexico

Re: Case No. 2173 and  
2174, Atoka Penn Gas  
Pool

Dear Mr. Nutter:

In compliance with your request for additional information  
on the above captioned applications I submit the following:

Two copies of Exhibit 1 as per your request,

One copy of a plat on the North Half of Section 28,  
Township 18 South, Range 26 East, showing the unleased  
acreage together with the names of the owners and the  
description of each tract,

One copy of a plat on the South Half of Section 21,  
Township 18 South, Range 26 East, showing the unleased  
acreage and the leases we have with inadequate pooling  
together with the names of the owners and description  
of each tract.

If there is anything further in connection with either  
of these cases, please let us know.

Yours very truly,

YATES PETROLEUM CORPORATION

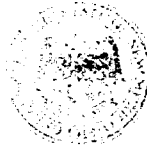
*Jack W. McCaw*  
Jack W. McCaw,  
Land Department

JWM/dh  
Encl.

GOVERNOR  
JOHN BURROUGHS  
CHAIRMAN

State of New Mexico  
Oil Conservation Commission

LAND COMMISSIONER  
MURRAY E. MORGAN  
MEMBER



P. O. BOX 871  
SANTA FE

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

February 23, 1961

Mr. Jason Hollabin  
Hollabin & Fox  
Box 1712  
Santa Fe, New Mexico

Re: Case No. 2173 and 2174  
Order No. B-1880 and B-1881  
Applicant:  
Yates Petroleum Corp.

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
Commission order 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   X    
Aztec OCC       

Other



**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. 2174  
Order No. R-1881**

**APPLICATION OF YATES PETROLEUM  
CORPORATION FOR AN ORDER FOR  
POOLING ALL MINERAL INTERESTS IN  
A 322.2-ACRE GAS PRODUCTION UNIT  
IN THE ATOKA-PENNSYLVANIAN GAS  
POOL, EDDY COUNTY, NEW MEXICO.**

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:**

This cause came on for hearing at 9 o'clock a.m. on February 8, 1961, at Santa Fe, New Mexico, before Daniel S. Matter, 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 22nd day of February, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Matter, 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, Yates Petroleum Corporation, seeks an order force-pooling all mineral interests in the Atoka-Pennsylvanian Gas Pool in the N/2 of Section 28, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, in order to form a 322.2-acre gas production unit.

(3) That inasmuch as the applicant has made diligent effort to secure the approval of all mineral interest owners to the formation of the above-described gas production unit, all mineral interests therein should be force-pooled.

(4) That denial of the subject application would deprive, or tend to deprive, the mineral interest owners in the above-described tract of the opportunity to recover their just and equitable share of the hydrocarbons in the Atoka-Pennsylvanian Gas Pool.

-2-

CASE No. 2174

Order No. R-1881

**IT IS THEREFORE ORDERED:**

That the interests of all persons having the right to drill for, produce, or share in the production of hydrocarbons from the Atocha-Pennsylvanian Gas Pool underlying the N/2 of Section 28, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, are hereby force-pooled to form a 322.2-acre gas proration unit comprising all of said acreage. Said unit is to be dedicated to the Yates Petroleum Corporation's Len Mayer Well No. 1, located 990 feet from the North line and 990 feet from the West line of said Section 28.

**PROVIDED HOWEVER,** That the proportionate share of the cost of drilling and completing the well on the 322.2-acre tract shall be borne by each consenting working interest owner in the same proportion to the total costs that his acreage bears to the total acreage in the pooled unit.

**PROVIDED FURTHER,** That the proportionate share of the cost of drilling and completing said well which is to be paid out of production by each non-consenting working interest owner shall be 125 per cent of the same proportion to the total costs that his acreage bears to the total acreage in the pooled unit.

**PROVIDED FURTHER,** That the share of the well costs, as determined above, which is to be paid by the mineral interest owners shall be withheld only from the working interests' share (7/8) of the revenues derived from the sale of the hydrocarbons produced from the well on the pooled unit. Royalty payments are not to be affected by the withholding of any funds for the purpose of paying out a proportionate share of the cost of drilling and completing said well.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



*E. L. Mechem*

EDWIN L. MECHEM, Chairman

*E. S. Walker*  
E. S. WALKER, Member

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

esr/

DRAFT

RSM/esr  
February 9, 1961

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

Rec'd  
2/14

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

CASE NO. 2174  
Order No. R- 1881

APPLICATION OF YATES PETROLEUM  
CORPORATION FOR AN ORDER FORCE-  
POOLING ALL MINERAL INTERESTS IN  
A 322.2-ACRE GAS PRORATION UNIT  
IN THE ATOKA-PENNSYLVANIAN GAS  
POOL, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on February 8, 1961, at Santa Fe, New Mexico, before Daniel S. Nutter, 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 \_\_\_\_\_ day of February, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, 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, Yates Petroleum Corporation, seeks an order force-pooling all mineral interests in the Atoka-Pennsylvanian Gas Pool in the N/2 of Section 28, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, in order to form a 322.2-acre gas proration unit.

(3) That inasmuch as the applicant has made diligent effort to secure the approval of all mineral interest owners to the formation of the above-described gas proration unit, all mineral interests therein should be force-pooled.

*[Signature]*

(4) That denial of the subject application would deprive, or tend to deprive, the mineral interest owners in the above-described tract of the opportunity to recover their just and equitable share of the hydrocarbons in the Atoka-Pennsylvanian Gas Pool.

IT IS THEREFORE ORDERED:

(1) That the interests of all persons having the right to drill for, produce, or share in the production of hydrocarbons from the Atoka-Pennsylvanian Gas Pool underlying the N/2 of Section 28, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, are hereby force-pooled to form a 322.2-acre gas proration unit comprising all of said acreage. *Said unit is to be dedicated to Yates Petroleum Corporation's LeMay Well No. 1, located 990 feet from the North line and 990 feet from the West line of said Section 28.*

~~DONE at Santa Fe, New Mexico, on the day and year herein-~~  
~~above designated.~~

(2) That proceeds from production attributable to any interest which has not previously paid its share of total well costs may be withheld by the applicant to the extent of such costs, provided, however, that proceeds attributable to any royalty interest shall not be withheld.

~~DONE at Santa Fe, New Mexico, on the day and year herein-~~  
~~above designated.~~

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
February 8, 1961

## EXAMINER HEARING

## IN THE MATTER OF:

Application of Yates Petroleum Corporation for an order force-pooling a 322.4-acre gas proration unit in the Atoka-Pennsylvanian Gas Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Atoka-Pennsylvanian Gas Pool in the S/2 of Section 21, Township 18 South, Range 26 East, Eddy County, New Mexico. Interested parties include J. N. Hawkins, J. W. Potter, William H. Swearingen, Smith B. Crane, Frank F. Coon, A. F. Escobar, Olive E. Harrison, Pan American Petroleum Corporation, Mayme Ressinger, J. R. Raymond, Isabell Gallegos, Alice Heck Martin, Maze Heck Pinnell, Wave Heck Hill.

Case  
2173

Application of Yates Petroleum Corporation for an order force-pooling a 322.2-acre gas proration unit in the Atoka-Pennsylvanian Gas Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Atoka-Pennsylvanian Gas Pool in the N/2 of Section 28, Township 18 South, Range 26 East, Eddy County, New Mexico. Interested parties include William H. Swearingen, Alice Heck Martin, Maze Heck Pinnell, Wave Heck Hill, J. W. Potter, James W. Hall and Mrs. Lucille Ruddell South.

Case  
2174

## BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: 2173.

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, Santa Fe, representing the applicant. If the Examiner please, I believe that

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the next case could well be consolidated with this one for purposes of the record, although we would want a separate order.

MR. MORRIS: We also call at this time Case No. 2174, application of Yates Petroleum Corporation for an order for force-pooling.

MR. NUTTER: Is there objection to the consolidation, for hearing purposes, of 2173 and 2174? The cases will be consolidated for the purposes of taking the testimony.

MR. KELLAHIN: We have one witness.

(Witness sworn.)

JACK McCaw

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you state your name, please?

A Jack McCaw..

Q By whom are you employed and in what position?

A Yates Petroleum Corporation, as Land Man.

Q In connection with your duties as Land Man, Mr. McCaw, do you have anything to do with the assembling of acreage, procurement of leases, and communitization of lease ownership?

A I do.

Q In that connection did you make any efforts to secure leases and communitization in the area involved in Case 2173 and

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2174?

A Yes, sir.

Q Would you state briefly what is proposed by Yates in these two applications?

A We propose to force-pool all mineral interests that we do not have leases on, and we do have some leases we do not have adequate pooling.

Q That applies to both tracts?

A Both tracts.

Q Do you have a plat showing the area involved in these applications, Mr. McCaw?

A Yes.

MR. KELLAHIN: If the Examiner please, we would like permission to offer this as an exhibit with permission to withdraw it and substitute a copy since this is the only one we have available at the present time.

MR. NUTTER: It will be permissible.

(Applicant's Exhibit No. 1  
Marked for Identification.)

Q Mr. McCaw, referring to what has been marked as Exhibit 1, would you point out to the Examiner the area which is under consideration and the problem involved in these applications, referring first to the S/2 of Section 21, and then discuss the N/2 of Section 28?

A This area, here to here, is the S/2 of 21.

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MR. NUTTER: Where would that be on the map?

A Section 21 of Township 18 South, Range 26 East, in the Atoka Pool.

MR. NUTTER: Could you describe it, for the purposes of the transcript? Would that be the area lying north of Main Street, lying west of Dayton Street, or the entire area?

A The entire area from north of Main to the middle of Carlisbad Street.

MR. NUTTER: That is the N/2 of Section 21?

A S/2 of 21.

Q (By Mr. Kellahin) Where does the N/2 of Section 28 lie on the map?

A It lies south of Main Street, to Wilder Street.

Q With reference to the S/2 of Section 21, would you point out on the plat the tracts of land on which you do not have leases?

A We have everything under lease marked in yellow, and the part we do not have under lease is this area here, Hawkins.

MR. NUTTER: How is that area described on the map?

A It is described as "School Block" on the map. We have the N/2 of Block 7 that is not under lease, and Lot 13, Block 24, Lot 5, Lot 23 and 27 and 28 of Block 11, Lot 31, Block 5.

Q There is additional land involved in which you have leases, is there not, which you seek to force-pool in this application?

A Yes. In the S/2 of 21 we have the Harrison, this 20 acres,





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Martin and Pinnell, and one lot that belongs to J. R. Raymond, and one that belongs to Gallegos that we do not have adequate pooling on.

MR. NUTTER: What lots are those?

A I can't tell you.

Q (By Mr. Kellahin) They are marked on the map?

A They are on the map by file number, and I don't have my file.

MR. PAYNE: What about the area designated as "Park"?

A We have a lease on it.

MR. NUTTER: Could you give us the file numbers of the tracts belonging to Gallegos and Raymond when you return to your office? Could you obtain that information and submit it to the Commission?

A Sure. I think I can dig it out of that file right there, from my correspondence.

Q (By Mr. Kellahin) With reference to the N/2 of Section 28, would you give the Examiner the same information on that area?

A We do not have these two lots. I believe they are 9 and 11 of Block 28.

MR. NUTTER: 9 and 11 of Block 29?

A 29, right; belongs to Hall and South.

Q (By Mr. Kellahin) Are there other tracts on which you do not have leases?

A We do not have under lease the blue, here and here, nor this.



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Q Do you have any in there on which you do not have leases which do not have adequate pooling clauses?

A No, we have adequate pooling on everything in the N/2 of 28.

Q Are there any wells drilled on either one of those tracts?

A There is a well which hasn't been completed in the N/2 of 28, and we are drilling now in the S/2 of 21.

Q What is the status of the well in Section 28?

A It is supposed to be being tested today. They have just hooked up their equipment, and are testing today.

Q A well in Block 10?

A 990 from the north and west of 28.

MR. NUTTER: What is the location of the well in the S/2 of 21?

A 1650 from the southeast, right here on Lot 12 of Block 35.

Q (By Mr. Kellahin) Mr. McCaw, according to the plat this area consists of the Dayton townsite, is that correct?

A Yes, sir.

Q What is the status of the Dayton townsite at the present time?

A It is an old abandoned town.

Q Are there any improvements located there?

A No improvements.

Q What streets have been laid out?

A The main street is a county road.

Q Does it run along the section line?



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A Yes, sir.

Q Are there any other streets?

A There is a section line road on the east side and the highway on the west side.

Q Are there any buildings or houses or anything of that nature?

A No buildings.

Q There appears to be a railroad right-of-way running through the tract. What is the situation as to that insofar as oil and gas leasing is concerned?

A We have the minerals, they have a right-of-way.

Q But you own the minerals?

A We own the minerals.

Q Now, Mr. McCaw, what efforts have you made in regard to these two tracts to secure communitization agreements?

A We have been negotiating since 1956 with all of the people in this area, and have run out of time. We have had correspondence and telephone conversations with all of the owners and recently we sent registered letters with our communitization, and didn't get any replies. We have replies from all of them except the ones we have mentioned.

Q You have contacted each and every one of the individuals named in the application, is that correct?

A Yes.

Q What is the situation with regard to Pan American Petro-



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leum Corporation?

A We got a wire yesterday saying they had signed the communitization agreement.

MR. NUTTER: What acreage does Pan American own, acreage in Section 21 that you mentioned?

A No, it is the white acreage above that.

Q (By Mr. Kellahin) They are committing to the unit?

A Yes, sir.

Q Are there any other tracts which you have been able to bring into the unit subsequent to the application filed in this case?

A We have a lease from Escobar on Lot 31, Block 5, but he failed to have the lease acknowledged, so we sent it back for acknowledgement.

MR. NUTTER: Which section is that in?

A S/2 of 21.

Q (By Mr. Kellahin) You feel reasonably sure you will get a properly acknowledged lease with the pooling clause?

A We think so.

Q Are there any others you have heard from?

A We received an amendment from Mayme Ressinger who had one lot in the S/2 of 21.

Q You say you received an amendment; you mean an amendment covering the pooling clause of the lease?

A Yes.

Q That will be definitely committed to the unit?



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A Right.

Q Are there any others?

A That is all.

Q Are there any in Section 28?

A No.

Q You have not heard from any of those people?

A No.

Q What is the situation as to Mr. William H. Swearingen?

A He said he would go along with us in drilling the well, but he has not signed the communitization agreement or anything else.

Q Has he made any contribution on the cost of the well?

A He -- on the well in the N/2 of 28, he paid \$1300.00 towards the drilling of the well.

Q Did that cover his share of the costs?

A Not quite.

Q In the event that the Commission sees fit to grant your application for force-pooling do you ask for recovery from these people for their proportionate share of the drilling costs?

A Yes.

Q What would you consider reasonable under the circumstances in this case?

A I would think 125%.

Q What was the cost of your well in Section 28?

A It hasn't been completed yet, but it was around \$178,000.



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Q The interests involved are quite small, for the most part?

A Right.

Q Could you say approximately what they amount to in each tract?

A 25 acres total in the S/2 of 21, and less than five in the N/2 of 28.

Q Do you have anything you care to add to your testimony, Mr. McCaw?

A I think not.

MR. KELLAHIN: If the Commission please, if we may have permission to withdraw this exhibit a copy will be furnished to the Commission by Mr. McCaw. On that basis I would like to offer in evidence Exhibit No. 1.

MR. NUTTER: That will be satisfactory, Mr. Kellahin. We will have to have the copy of this exhibit prior to the time we can take this case to the Commission, however.

MR. KELLAHIN: Yes, sir. It is my understanding you also want the tract numbers which are involved in the force-pooling application, a list of those.

MR. NUTTER: The tracts that weren't identified specifically by lot and by block.

MR. KELLAHIN: That is all I have to offer.

MR. NUTTER: Any questions of Mr. McCaw?

BY MR. PAYNE:

Q Is your figure of 125% for the non-consenting working



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interest owners based on a reasonable cost of supervision and operation in the drilling of the well?

A Yes, sir.

Q Or wells?

A Yes, sir.

Q It is not based on bonus for risk?

A No.

MR. PAYNE: Thank you.

MR. NUTTER: Any further questions?

BY MR. NUTTER:

Q Who owns the royalties under the street in this townsite?

A We think the people that own the lots do.

Q You think the street is divided down the middle, and half belongs to the lot in front of that portion of the street?

A Yes.

Q You stated Mr. Swearingen had contributed around \$1300.00 to the cost?

A He has a three-acre interest in the N/2 of 28.

Q Did he contribute that on the basis of an expected cost of the well, and then the ultimate cost turned out to be higher?

A I don't know. He just mailed us the check.

Q Had you furnished him with an estimate of the cost of the well?

A We sent him an AFE, he never signed it, just mailed us a check.



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Q What was the expected cost on the AFE?

A \$171,614.00.

Q And he owns 3.320 of the acreage in the tract?

A He owns 3.139 acres, which would be around 3.320.

BY MR. PAYNE:

Q There are some unleased tracts in here?

A Yes, there are.

Q Where other owners have both the working interests and royalty interests?

A Right.

Q You are aware in this 125% figure, that only applies as to the working interests; you have to pay the royalty interests from month to month?

A Right.

MR. NUTTER: Are there any further questions of Mr. McCaw? You may be excused. Do you have anything further in these cases, Mr. Kellahin?

MR. KELLAHIN: That is all I have, Mr. Nutter. Thank you.

MR. NUTTER: Does anyone have anything they wish to offer in Case 2173 or 2174?

MR. MORRIS: I have a telegram that the Commission has received from Pan American Petroleum Corporation, which reads as follows: "Case No. 2173, docketed for Examiner Hearing on Wednesday, February 8, 1961, is Yates Petroleum Corporation's application for an order force-pooling a standard gas proration unit, consist-





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ing of the S/2 of Section 21, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico. Pan American Corporation has already voluntarily pooled its acreage in the S/2 of Section 21 with the Yates Petroleum Corporation acreage for the purpose of drilling a well in the Atoka-Pennsylvanian Gas Pool. Pan American recommends that this application be approved. Please read this telegram into the record of the hearing. Signed: Alex Clark, Jr., Pan American Petroleum Corporation."

MR. NUTTER: Is there anything further? We will take these cases under advisement and call the next case.

STATE OF NEW MEXICO )  
COUNTY OF BERNALILLO ) ss

I, JUNE PAIGE, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 13th day of February, 1961.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2173-2174 heard by me on 2/8, 1961.

*June Paige*  
Notary Public - Court Reporter

*[Signature]* Examiner  
New Mexico Oil Conservation Commission



I N D E X

<u>WITNESS</u>	<u>PAGE</u>
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QUESTIONS by Mr. Payne	

E X H I B I T S

<u>NUMBER</u>	<u>EXHIBIT</u>	<u>IDENTIFIED</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Ex. #1	Map	3	10	10

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ALBUQUERQUE, NEW MEXICO



APPLICATION OF YATES PETROLEUM CORPORATION, FOR AN ORDER ESTABLISHING A 322.238 ACRES GAS PRODUCTION UNIT, COMPOSED OF THE N $\frac{1}{2}$  OF SECTION 28, TOWNSHIP 18 SOUTH, RANGE 26 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO, INsofar AS THE FORMATION LYING BETWEEN THE UPPER AND LOWER LIMITS OF THE PENNSYLVANIAN GAS FORMATION IS AFFECTED, AND THE POOLING OF THE INTERESTS THEREIN.

1000000

4 04

No.

2174

1. Yates Petroleum Corporation, as operator, entered into an operating agreement and a gas pooling agreement with Len Mayer, T. J. Jackson, A. N. Etz, George Etz and the Gulf Oil Corporation, on the 27th day of October, 1960. Said agreements designated the Dayton Townsite Gas Unit No. 3, which covers 322.238 acres, composed of the N $\frac{1}{2}$  of Section 28, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, insofar and only insofar as the same covers the formation lying between the upper and lower limits of the Pennsylvanian gas producing formation in said area. Said agreements are effective only as to the gas and associated hydrocarbons produced from operators well, which has been drilled as the Yates Petroleum Corporation, Len Mayer No. 1 well, and located 990 feet from the North line and 990 feet from the West line of said Section 28; that a plat of the unit area is hereto attached as Exhibit "A".

2. All of the N $\frac{1}{2}$  of said Section 28 has been subdivided into numerous small tracts, both as to surface and mineral interests. The parties to the aforesaid gas pooling agreement are either the owners in fee simple or are the holders and owners of oil and gas leases, covering all the tracts within the limits of said proposed unit area, except for 5.34392 acres, not covered by any oil and gas lease, which are owned by following named persons, whose names and addresses are hereinafter set out:

*Donato*  
*Miles*  
*1-30-61*

NAMEADDRESS

Wm. H. Swearingen ✓

Box 93 ✓  
Santa Fe, New Mexico

New Mexico Tax Commission

Santa Fe, New Mexico ✓

Alice Heck Marvin ✓)

C/O Robert Fox

Maze Heck Pinnell ✓:

Deol Building

Wave Heck Hill ✓)

Calexico, California

J. W. Potter ✓

Box 1027  
Carlsbad, New Mexico

James W. Hall &amp; ✓

402 Capitol City Bank Building  
Des Moines, Iowa

Mrs. Lucille Ruddell South ✓

*2 copies  
mailed  
1-30-61*

That copies of this application have been mailed to each of said parties.

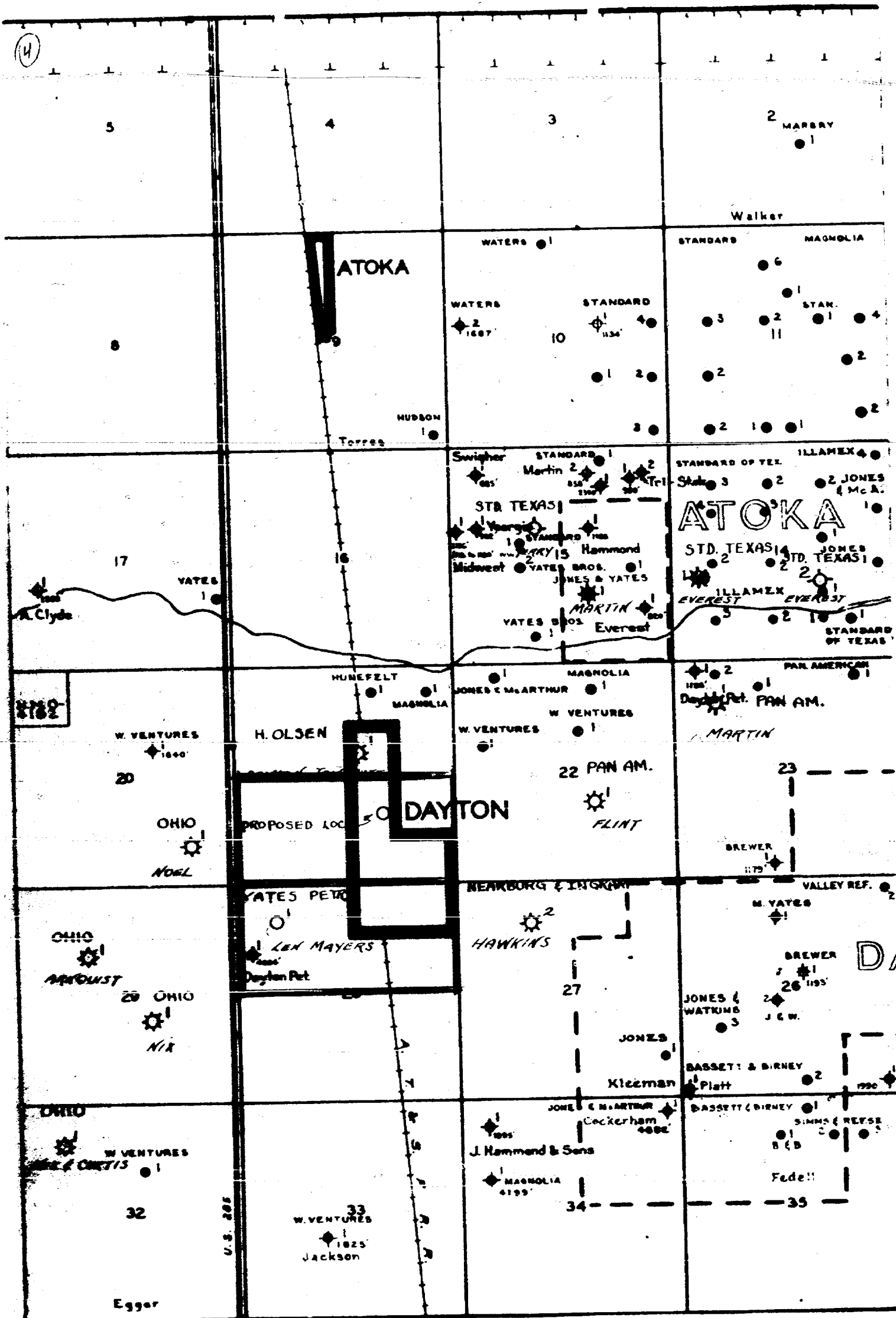
WHEREFORE, applicant requests a hearing, in order that the Commission may make such findings of fact and conclusions of law as shall be required to establish a 322.238 acre gas proration unit composed of the N½ of Section 28, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and approving the same as the Dayton Townsite Gas Unit No. 3.

Applicant further requests that the Commission, upon proper finds of fact and conclusions of law, enter its order permitting the applicant to produce the gas and associated hydrocarbons from the full unit area, and to hold, in suspense, all proceeds attributable to each of the tracts owned by those persons described in paragraph 2 hereof, until such time as said parties have paid their respective, pro-rata costs of development or, that the applicant be permitted to retain such share of the proceeds from production until such time as each said share of such proceeds shall equal such percentum of such respective shares of development cost as the Commission shall determine to be equitable, or such other and further orders as the Commission shall desire to enter in this case.

Respectfully submitted this 18th day of January, 1961.

YATES PETROLEUM CORPORATION

By *O. P. Yates*  
*President*





309 CARPER BUILDING  
ARTESIA, NEW MEXICO

S. P. YATES  
PRESIDENT  
HARVEY E. YATES  
VICE PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
SECRETARY  
HUGH W. PARRY  
TREASURER

February 10, 1961

UNLEASED MINERALS

Re: Case 2174, North Half of Section 28,  
Township 18 South, Range 26 East,  
Atoka Penn Gas Pool

Wm. H. Swearingen

Lots 1, 2, 3, Block 3; Lots 1, 2, 3,  
10, 11, 12, Block 2, Higgins & Welsh  
Addition; Lots 11, 12, Block 31,  
West Dayton Addition, containing  
3.13992 acres, more or less

J. W. Potter

Lot 8, Block 28, Original Town of  
Dayton, containing .006 acres, more  
or less

Hall-South

Lots 9, 11, Block 29, Original Town  
of Dayton, containing .218 acres,  
more or less

Pinnell, Hill and Martin

A 1/4 interest in a tract of land in  
the SE corner of the NW 1/4, and a  
tract in the SW corner of the NW 1/4,  
of Section 28, Township 18 South,  
Range 26 East, containing .88 acres,  
more or less

Raymond Hernandez

Lot 7 and 8, Block 17, West Dayton  
Addition, containing .218 acres,  
more or less (Mr. Hernandez has  
promised us a lease on these two lots  
which he recently redeemed from the  
State Tax Commission)

State Tax Commission

Lot 8, Block 26; Lot 9, Block 27,  
Original Town of Dayton, containing  
.218 acres, more or less (We are in the  
process of purchasing these two lots)