

CASE 2415: Appli. of SOUTHWEST  
PROD. CO. for an order pooling  
all mineral interests.

Case 110  
2415

---

Application, Transcript,  
and Exhibits, Etc.

GOVERNOR  
EDWIN L. MECHEM  
CHAIRMAN

State of New Mexico  
Oil Conservation Commission



LAND COMMISSIONER  
E. S. JOHNNY WALKER  
MEMBER

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

P. O. BOX 871  
SANTA FE

December 21, 1961

Mr. William J. Cooley  
Verity, Burr & Cooley  
Attorneys at Law  
152 Petroleum Center Building  
Albuquerque, New Mexico

Re: Case No. 2415  
Order No. R-2150  
Applicant:  
Southwest Production Company

Dear Sir:

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

Very truly yours,

A handwritten signature in cursive script, reading "A. L. Porter, Jr.".

A. L. PORTER, Jr.  
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC   x  

Artesia OCC       

Aztec OCC   x  

OTHER

◇◇

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 11/6/61

CASE 2415

Hearing Date 9 am 10/25

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

Enter an order force pooling  
all <sup>royalty</sup> ~~mineral~~ interests in the  
Basin Dakota Pool underlying the  
E/2 Sec 14 T 30 N R 12 W, to be dedicated  
to the Pearl Wilkes Well # 14 in NENE of said Sec 14.

Also pool the working interest owned  
by the heirs of Abas Hassan underlying  
28 acres as described in the application.



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF: )  
 )  
THE APPLICATION OF )  
SOUTHWEST PRODUCTION COMPANY )  
FOR AN ORDER FORCE POOLING THE )  
EAST HALF ( $E\frac{1}{2}$ ) OF SECTION 14, )  
TOWNSHIP 30 NORTH, RANGE 12 WEST, )  
N.M.P.M., IN SAN JUAN COUNTY, )  
NEW MEXICO. )

NO. 24-2

A P P L I C A T I O N

Comes now the applicant, Southwest Production Company,  
a co-partnership consisting of Joseph P. Driscoll and John H.  
Hill, and for its application alleges and states:

1. That it is the owner of numerous oil and gas leases  
covering the majority of the mineral interests in the East Half  
( $E\frac{1}{2}$ ) of Section 14, Township 30 North, Range 12 West, N.M.P.M.,  
San Juan County, New Mexico, and that it has pooled all of  
said leases in an effort to form a 320 acre drilling unit  
consisting of the East Half ( $E\frac{1}{2}$ ) of said Section 14.

2. That the unknown heirs of Abas Hassan, deceased, own  
an undivided twenty-five per cent (25%) mineral interest in and  
under the West Half of the Southeast Quarter of the Southeast  
Quarter ( $W\frac{1}{2} SE\frac{1}{4} SE\frac{1}{4}$ ) and the West Half of the East Half of the  
Southeast Quarter of the Southeast Quarter ( $W\frac{1}{2} E\frac{1}{2} SE\frac{1}{4} SE\frac{1}{4}$ ) of  
said Section 14, except two (2) acres more or less in the  
Northwest Quarter of the Southeast Quarter of the Southeast  
Quarter ( $NW\frac{1}{4} SE\frac{1}{4} SE\frac{1}{4}$ ), which tract comprises twenty-eight (28)

acres more or less. That applicant is informed and believes and on the basis of such information and belief alleges that said undivided twenty-five per cent (25%) mineral interest under the above described lands is unleased and that although applicant has made diligent search to discover the names and addresses of the unknown heirs of Abas Hassan, deceased, it has been unable to do so and that the interest of said unknown heirs in the above described lands should be force pooled as to the Dakota Formation in order to form a 320 acre drilling unit in accordance with the special rules and regulations of the Basin-Dakota Gas Pool.

3. That the applicant is informed and believes and on the basis of such information and belief alleges that the unknown heirs of D. M. Longstreet, deceased, claim some interest adverse to applicant's lessor, Amos C. Lewis, in an undivided one-half ( $\frac{1}{2}$ ) mineral interest in the following described lands, to-wit:

Commencing 313-1/2 feet North of the Southeast corner of the NW $\frac{1}{4}$  SE $\frac{1}{4}$  of Section 14, T-30-N, R-12-W, N.M.P.M., and from said commencement point running North along the Subdivision line a distance of approximately 1006-1/2 feet to the Northeast corner of said Subdivision;  
THENCE West 888 feet and 7 inches to a point;  
THENCE South 577-1/2 feet;  
THENCE West 134-1/2 feet;  
THENCE South 635 feet to the North boundary line of the public highway, (formerly F.A.H. No. 35);  
THENCE following the northerly boundary of said highway in an Easterly direction to point of beginning, containing 24 acres, more or less, and being a part of the NW $\frac{1}{4}$  SE $\frac{1}{4}$  of said Section 14.

18 acres  
or  
50%  
interest  
in 36  
acres

VERITY, BURR  
& GOOLEY  
ATTORNEYS AT LAW  
152 PETROLEUM  
CENTER BUILDING  
FARMINGTON,  
NEW MEXICO

ALSO,

Beginning where the Eledge ditch crosses the North line of the NE $\frac{1}{4}$  SE $\frac{1}{4}$  of Section 14, T-30-N, R-12-W, N.M.P.M.,

THENCE West along said line to the Northwest corner of said described 40 acre subdivision;

THENCE South along the West side of said forty to the center of the Eledge ditch;

THENCE East and North along the center of said ditch as established in the year 1912 to the point of beginning, being in and a part of the NE $\frac{1}{4}$  SE $\frac{1}{4}$  of said Section 14;

EXCEPTING THEREFROM, a strip of land 20 feet wide along the North side thereof used for a right-of-way for road purposes.

*Amended by  
testimony at  
hearing.  
Jm*

Applicant contends that the claim of said unknown heirs of D. M. Longstreet, deceased, in the above described lands is unfounded and invalid, but, upon the contingency that such claim might be made and found to be valid, applicant desires that the interest of any and all said persons be force pooled insofar as the Dakota Formation underlying the above described lands is concerned in order to form a 320 acre drilling unit in accordance with the special rules and regulations of the Basin-Dakota Gas Pool.

4. That the applicant is informed and believes and on the basis of such information and belief alleges that Robert E. Goodwin, Alice L. Goodwin and Samuel Glenn Goodwin, if living, or their unknown heirs, if deceased, assert some claim to an interest adverse to applicant's lessors, L. H. Schmidt, A. H. Schmidt and Lena M. Bay in the minerals underlying the East Half of the Southwest Quarter of the Southeast Quarter (E $\frac{1}{2}$  SW $\frac{1}{4}$  SE $\frac{1}{4}$ ) of said Section 14. That the claim of said persons

VERITY, BURR  
& COOLEY  
ATTORNEYS AT LAW  
152 PETROLEUM  
CENTER BUILDING  
FARMINGTON,  
NEW MEXICO

in the above described lands is unfounded and invalid, but, upon the contingency that such claim might be made and found to be valid, applicant desires that the interest of any and all said persons be force pooled insofar as the Dakota Formation underlying the above described lands is concerned in order to form a 320 acre drilling unit in accordance with the special rules and regulations of the Basin-Dakota Gas Pool.

5. That the mineral ownership in the East Half ( $E\frac{1}{2}$ ) of said Section 14 is divided into numerous small and irregular tracts making it impossible to determine without detailed survey whether any vacancies exist in applicant's leases in the East Half ( $E\frac{1}{2}$ ) of said Section 14, and although applicant verily believes that no such vacancies do exist there is a possibility of the same, and, upon such contingency, applicant desires that any and all such interests, whether leased or unleased, be also force pooled under this application.

6. That applicant is planning to drill a well to the Dakota Formation in the East Half ( $E\frac{1}{2}$ ) of said Section 14, and in view of this and the further fact that applicant owns a great majority of the leasehold rights therein, the Commission should appoint applicant as the operator of said pooled unit.

7. That there will be considerable risk involved in the drilling of the above referenced well and that under the Statutes of the State of New Mexico and the Rules and Regulations of the Oil Conservation Commission applicant is entitled to and should

be allowed to take and receive for its own use 7/8ths of any and all production had from the above referenced well until such time as it has been reimbursed in an amount equal to 125% of its actual cost of drilling, completing, equipping and operating said well plus reasonable compensation for the supervision thereof.

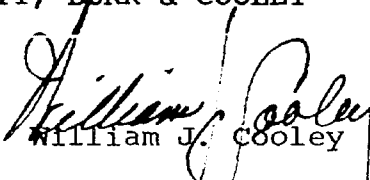
8. That the force pooling order herein requested is necessary in order to prevent waste and in order to protect the correlative rights of applicant.

WHEREFORE, applicant prays that this application be set down for hearing at the earliest possible date; that due notice thereof be given in accord with the Rules of this Commission and the Laws of the State of New Mexico; and that after hearing, and from the evidence to be adduced thereat, this Commission enter its order granting the application as above stated.

Respectfully submitted,

VERITY, BURR & COOLEY

By

  
William J. Cooley

ATTORNEYS FOR APPLICANT,  
SOUTHWEST PRODUCTION COMPANY

VERITY, BURR  
& COOLEY  
ATTORNEYS AT LAW  
152 PETROLEUM  
CENTER BUILDING  
FARMINGTON,  
NEW MEXICO

No. 29-61

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 25, 1961

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

The following cases will be heard before Daniel S. Nutter, Examiner, or  
Elvis A. Utz, as alternate examiner:

Cases 2413 through 2420 will not be heard before 1:00 P.M.

- CASE 2403: In the matter of the hearing called by the Oil Conservation Commission to permit Henry W. Etz, Jr. and all interested parties to appear and show cause why the Rice Andrews Well No. 1, located in Unit C, Section 14, Township 14 South, Range 25 East, Chaves County, New Mexico, should not be replugged in accordance with a Commission-approved plugging program.
- CASE 2404: Application of Continental Oil Company for a 272.38-acre non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 272.38-acre non-standard gas proration unit in the Eumont Gas Pool, comprising Lots 2, 3, 4, 5, 6, 7 and 8 of Section 1, Township 21 South, Range 36 East, Lea County, New Mexico; said unit is to be dedicated to the State F-1 Well No. 6, located 660 feet from the North and West lines of said Section 1.
- CASE 2405: Application of Amerada Petroleum Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its Ida Wimberly Well No. 11, located in the NW/4 SW/4 of Section 24, Township 25 South, Range 37 East, Lea County, New Mexico, as a dual completion in the Justis-Paddock and Justis-Blinbry Pools, with the production of oil from the Paddock zone to be through a tapered string of tubing of 2 3/8-inch and 2 1/16-inch diameter and the production of oil from the Blinbry zone to be through a tapered string of tubing of 2 3/8-inch and 1-inch diameter.

CASE 2406: Application of Shell Oil Company for an exception to Rule 502-I, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 502-I to increase from 25 percent to 100 percent the daily production tolerance applicable to all of its wells located in the Hobbs, Eunice-Monument, Vacuum-Abo and Vacuum-San Andres Pools, Lea County, New Mexico.

CASE 2407: Application of Shell Oil Company for approval of the Cabezon Unit Agreement, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Cabezon Unit Agreement embracing 22,743 acres, more or less, of State, fee and Federal lands in Townships 16 and 17 North, Ranges 2, 3 and 4 West, Sandoval County, New Mexico.

CASE 2408: Application of Texaco, Inc. for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its V. M. Henderson Well No. 6, located in Unit C, Section 30, Township 21 South, Range 37 East, Lea County, New Mexico, as a triple completion adjacent to the Paddock, Blinebry, and Drinkard Pools, with production of oil from the Paddock and Drinkard zones to be through parallel strings of 2 1/16-inch tubing and the production of gas from the Blinebry Gas Pool to be through the tubing-casing annulus.

CASE 2409: Application of Texaco Inc. for a quintuple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its G. L. Erwin "b" NCT-2 Well No. 2, located in Unit J, Section 35, Township 24 South, Range 37 East, Lea County, New Mexico, as a quintuple completion (tubingless) in undesignated Ellenburger, McKee, Fusselman, Siluro-Devonian and Drinkard pools, with the production of oil from the McKee, Fusselman, Siluro-Devonian and Drinkard zones to be through parallel strings of 2 3/8-inch tubing and the production of oil from the Ellenburger-zone to be through a string of 2 7/8-inch tubing, all strings of tubing to be cemented in a common well bore.

CASE 2410: Application of Hondo Oil & Gas Company for permission to directionally drill and for an unorthodox bottom hole location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks permission to directionally drill a well in Section 26, Township 17 South, Range 28 East, Eddy County,

CASE 2410: (Cont.)

New Mexico, the surface location to be 2310 feet from the North line and 1980 feet from the East line of said Section 26 and the bottom hole location to be in the Empire-Abe Pool at a situs 2540 feet from the North line and 1980 feet from the East line of said Section 26.

CASE 2411:

Application of Socony Mobil Oil Company, Inc., for an exception to Rule 303 (a), Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 303 (a) to permit the commingling of the production from the Anderson Ranch-Devonian and the Anderson Ranch-Wolfcamp Pools on its New Mexico "S" lease, which includes Lot 2 of Section 2, Township 16 South, Range 32 East, Lea County, New Mexico. Applicant proposes to meter the production from one pool only, and to allocate production to the other pool according to the subtraction method; the API gravity of the Anderson Ranch-Devonian crude is greater than 45°.

CASE 2412:

Application of Val R. Reese & Associates, Inc., for an unorthodox gas well location and a non-standard gas unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks permission to locate its Benn Well No. 1-9 at an unorthodox gas well location in an undesignated Gallup pool, 2210 feet from the North line and 330 feet from the East line of Section 9, Township 23 North, Range 7 West, Rio Arriba County, New Mexico, said well to be dedicated to a 152.02-acre non-standard gas unit comprising the NE/4 of said Section 9.

---

The following cases will not be heard before 1:00 P.M.

---

CASE 2413:

Application of Aspen Crude Purchasing Company for an unorthodox oil well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location in the Totah-Gallup Oil Pool for a well to be drilled 1190 feet from the South line and 2210 feet from the East line of Section 11, Township 28 North, Range 13 West, San Juan County, New Mexico.

CASE 2414:

Application of Southwest Production Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox



CASE 2414: (Cont.)

gas well location in an undesignated Mesaverde pool for a well located 2360 feet from the South line and 830 feet from the West line of Section 26, Township 30 North, Range 12 West, San Juan County, New Mexico. Said well is to serve as the unit well for a 160-acre gas proration unit comprising the SW/4 of said Section 26.

CASE 2415:

Application of Southwest Production Company for an order pooling all mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 14, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include the unknown heirs of Abas Hassan, deceased, the unknown heirs of D. M. Longstreet, deceased, and Robert E., Alice L., and Samuel Glenn Goodwin, and/or their unknown heirs.

CASE 2416:

Application of Southwest Production Company for an order pooling all mineral interests in an undesignated Mesaverde gas pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico.

CASE 2417:

Application of Scanlon Engineering Company for an order fixing the spacing of wells, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks an order fixing the spacing of wells producing from the Mesaverde formation in Sections 21, 22 and 27, all in Township 20 North, Range 9 West, McKinley County, New Mexico. Applicant recommends the establishment of two and one-half acre well spacing.

CASE 2418:

Application of Humble Oil & Refining Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its State BM Well No. 1, located in Unit I, Section 2, Township 25 South, Range 37 East, Lea County, New Mexico, as a dual completion (Tubingless) in undesignated Fusselman and Ellenburger pools, with the production of oil from the Fusselman zone through 2 7/8-inch casing and the production of oil from the Ellenburger zone through 2 3/8-inch casing cemented in a common well bore.

CASE 2419:

Application of Leonard Oil Company for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its Federal Ginsberg Well No. 11, located in Unit E, of Section 31, Township 25 South, Range 38 East, Lea County, New Mexico, as a triple completion (conventional) in the Justis Blinbry Pool, in an undesignated

-5-

Docket No. 29-61

CASE 2419: (Cont.)

Tubb Pool and in the Justis Fusselman Pool, with production of oil from the Tubb and Fusselman zones to be through parallel strings of 2 3/8-inch tubing and the production of oil from the Blinbry zone through a string of 2 1/16-inch tubing.

CASE 2420:

Application of Zapata Petroleum Corporation for authority to inject water into the Maljamar Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authorization to inject water into the Maljamar Pool (Grayburg and San Andres formations) through eight wells located in Sections 17, 18 and 19, all in Township 17 South, Range 33 East, Lea County, New Mexico, for the purpose of secondary recovery.

*File 115*

VERITY, BURR & COOLEY  
ATTORNEYS AND COUNSELORS AT LAW  
SUITE 152 PETROLEUM CENTER BUILDING  
FARMINGTON, NEW MEXICO

GEO. L. VERITY  
JOEL B. BURR, JR.  
WM. J. COOLEY  
NORMAN S. THAYER

September 28, 1961

TELEPHONE 325-1702

Oil Conservation Commission  
Post Office Box 871  
Santa Fe, New Mexico

Re: Application for force pooling  
E $\frac{1}{2}$  of Sec. 14, T-30-N, R-12-W,  
N.M.P.M., San Juan County,  
New Mexico as to Basin-Dakota  
Gas Pool

Gentlemen:

Forwarded herewith is the application of Southwest Production  
Company in connection with the above referenced matter which  
you are requested to set for hearing at the earliest possible  
date.

Very truly yours,

VERITY, BURR & COOLEY

By

*William J. Cooley*  
William J. Cooley

WJC/dh

Enclosure

*Hand  
Mailed  
10-11-61  
JC*

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. 2415  
Order No. R-2150

APPLICATION OF SOUTHWEST PRODUCTION  
COMPANY FOR AN ORDER POOLING A 320-  
ACRE GAS PRORATION UNIT IN THE BASIN-  
DAKOTA GAS 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 October 25, 1961, at Santa Fe, New Mexico, before Daniel S. Mutter, 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 21st day of December, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Mutter, 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, Southwest Production Company, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 14, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico.
- (3) That the unknown heirs of Abas Hassan, deceased, own an undivided 25 percent mineral interest in 28 acres located in the W/2 SE/4 SE/4 of said Section 14; that the applicant has made diligent effort to locate said persons in order to secure their consent to the voluntary pooling of their interests in the proposed proration unit, but has been unable to do so.
- (4) That the known and unknown heirs of D. M. Longstreet, deceased, own an undivided 50 percent mineral interest in 36 acres located in the N/2 SE/4 of said Section 14; that the applicant has made diligent effort to locate said unknown heirs in order to secure their consent to the voluntary pooling of their interests in the proposed proration unit, but has been unable to do so;

that applicant has made fair and reasonable offers to lease or to secure quit claim deeds from said known heirs, but has been unable to do so to date.

(5) That the applicant avers that Robert E. Goodwin, Alice L. Goodwin and Samuel Glenn Goodwin, if living, or their unknown heirs, if deceased, may assert some claim to a mineral interest in the E/2 SW/4 SE/4 of said Section 14, which claim applicant asserts to be invalid.

(6) That the applicant asserts ownership of the entire working interest in the Basin-Dakota Gas Pool in the E/2 of said Section 14 with the exception of the interests described in paragraphs 3 and 4 above.

(7) That in order to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the Basin-Dakota Gas Pool, the subject application should be approved by pooling all royalty interests and by pooling the working interests owned by the applicant with the working interest (seven eighths of the unleased interest) owned by the Hassan and Longstreet heirs.

(8) That the contingent interest of the Goodwins, as described in paragraph 5 above, should not be pooled inasmuch as it is not recognized by the applicant as valid.

(9) That the applicant proposes to dedicate the subject proration unit to its Pearl Wilkes Well No. 14 located in the NE/4 NE/4 of said Section 14, which well has been tested and is capable of producing from the Basin-Dakota Gas Pool.

(10) That the applicant seeks permission to withhold the proceeds from production attributable to seven eighths of each non-consenting unleased interest until such time as each interest's share of the costs of said well have been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well, plus 10 percent thereof as a charge for supervision.

(11) That the applicant should be authorized to withhold the proceeds from production attributable to seven-eighths of each non-consenting unleased interest until such time as each interest's share of the costs of said well have been recovered, plus 10 percent thereof as a reasonable charge for supervision; no charge for risk should be allowed inasmuch as no risk existed at the time the application in this case was filed, the unit well having been drilled and tested prior to that time.

(12) That the applicant should furnish the Commission and each known, non-consenting interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of this order.

IT IS THEREFORE ORDERED:

(1) That the following mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 14, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 320+ acre gas proration unit in said pool:

- (a) All royalty interests;
- (b) The working interest of the unknown heirs of Abas Hassan, deceased, consisting of an undivided 25 percent interest in 28 acres located in the W/2 SE/4 SE/4 of said Section 14;
- (c) The working interest of the heirs of D. M. Longstreet, deceased, consisting of an undivided 50 percent interest in 36 acres located in the N/2 SE/4 of said Section 14; and
- (d) The working interest of Southwest Production Company, consisting of all of the working interest in the E/2 of said Section 14 with the exception of those interests described in subsections (b) and (c) above.

(2) That this order shall be without prejudice to the applicant's right to request Commission action if, and when, the ownership of the working interest in the subject unit is determined to differ from that set forth in paragraph (1) above.

(3) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(4) That the costs of development and operation of the pooled unit 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.

(5) That the costs of development and operation of the pooled unit shall be borne by each non-consenting working interest owner in the same proportion to the total costs that his acreage bears to the total acreage in the pooled unit, plus ten percent of such amount, as a charge for supervision.

(6) That any well costs or charges for supervision which are to be paid out of production shall be withheld only from the

-4-

CASE No. 2415  
Order No. R-2150

working interests' share of production from the pooled unit. No costs or charges shall be withheld from production attributable to royalty interests.

(7) That Southwest Production Company is hereby designated as the operator of said unit.

(8) That Southwest Production Company shall furnish the Commission and each known, non-consenting interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of this order.

(9) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



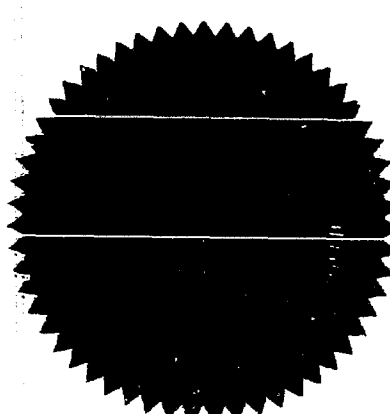
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



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



esr/

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. 2415  
Order No. R-2150-A

APPLICATION OF SOUTHWEST PRODUCTION  
COMPANY FOR AN ORDER POOLING A 320-  
ACRE GAS PRORATION UNIT IN THE BASIN-  
DAKOTA GAS 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 February 14, 1962, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 18th day of April, 1962, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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, Southwest Production Company, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 14, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico.

(3) That the applicant has made diligent effort to identify and to locate all owners of interest in the proposed proration unit.

(4) That the applicant has made fair and reasonable offers to lease, to obtain quitclaim deeds, or to communitize with respect to each non-consenting interest owner whose identity and address is known.

(5) That although the applicant has made fair and reasonable offers and has been diligent in its efforts to form the proposed proration unit, there remain non-consenting interest owners in the subject proration unit who have not agreed to the pooling of their interests.



(6) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the Basin-Dakota Gas Pool, the subject application should be approved by pooling all interests, whatever they may be, within said unit.

(7) That the applicant proposes to dedicate the subject proration unit to its Pearl Wilkes Well No. 1 located in the NE/4 NE/4 of said Section 14, which well has been completed in the Basin-Dakota Gas Pool.

(8) That the applicant seeks permission to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of the costs of said well have been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well, plus 10 percent thereof as a charge for operating costs.

(9) That the applicant should be authorized to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of the costs of said well have been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(10) That it is improper for operating costs to be assessed as a percentage of well costs; accordingly, \$75.00 per month should be fixed as the cost of operating the subject well, and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.

(11) That the applicant should furnish the Commission and each known non-consenting working interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of this order.

(12) That any non-consenting working interest owner should be afforded the opportunity to pay his share of well costs within 30 days from the date the schedule of well costs is furnished him by the applicant in lieu of paying his share of costs out of production.

(13) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership.

(14) That Southwest Production Company should be designated the operator of said unit.

(15) That Order No. R-2150, previously entered in this case on December 21, 1961, should be superseded.

CASE No. 2415  
Order No. R-2150-A

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool in the E/2 of Section 14, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 320-acre gas proration unit. Said unit shall be dedicated to the Pearl Wilkes Well No. 1 located in the NE/4 NE/4 of said Section 14.

(2) That Southwest Production Company is hereby designated the operator of said unit.

(3) That Southwest Production Company is hereby authorized to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of well costs have been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(4) That \$75.00 per month is fixed as the cost of operating the subject well, and Southwest Production Company is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(5) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(6) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(7) That the applicant shall furnish the Commission and each known non-consenting working interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of this order.

(8) That any non-consenting working interest owner shall have the right to pay his share of well costs to Southwest Production Company within 30 days from the date the schedule of well costs is furnished him by Southwest Production Company, in lieu of paying his share of well costs out of production. In the event any such owner elects to pay his share of well costs as provided for in this paragraph, he shall remain liable for operating costs but shall not be liable for risk charges.

(9) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The Commission shall be notified as to the name and address of said escrow agent.

-4-

CASE No. 2415  
Order No. R-2150-A

(10) That Order No. R-2150 is hereby superseded.

(11) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



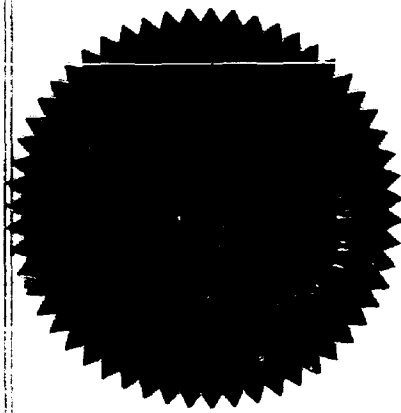
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



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



esr/

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

IN THE MATTER OF:

Application of Southwest Production Company  
for an order pooling all mineral interests  
in the Basin-Dakota Gas Pool in the E<sup>1</sup>/<sub>4</sub> of  
Section 14, Township 30 North, Range 12 West,  
San Juan County, New Mexico.

CASE NO. 2415

EXAMINER HEARING

October 26, 1931

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691



DEARNLEY-MUIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

October 26, 1961

EXAMINER HEARING

IN THE MATTER OF:

Application of Southwest Production Company  
for an order pooling all mineral interests  
in the Basin-Dakota Gas Pool in the E $\frac{1}{2}$  of  
Section 14, Township 30 North, Range 12 West,  
San Juan County, New Mexico. Interested  
parties include the unknown heirs of Abas  
Hassan, deceased, the unknown heirs of D. M.  
Longstreet, deceased, and Robert E., Alice L.,  
and Samuel Glenn Goodwin, and/or their unknown  
heirs.

Case No.  
2415

BEFORE: Daniel S. Nutter, Alternate Examiner

TRANSCRIPT OF HEARING

EXAMINER NUTTER: We will call Case No. 2415.

MR. MORRIS: Application of Southwest Production Com-  
pany for an order pooling all mineral interests in the Basin-  
Dakota Gas Pool in the E $\frac{1}{2}$  of Section 14, Township 30 North,  
Range 12 West, San Juan County, New Mexico.

MR. COOLEY: William J. Cooley, Verity, Burr & Cooley,  
Farmington, New Mexico, appearing on behalf of the applicant.  
We have one witness.

JACK T. JONES



called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. COOLEY:

Q Would you state your full name for the Commission, please.

A Jack D. Jones.

Q By whom are you employed, Mr. Jones?

A I am an independent land man but I represent Southwest in the performance of certain land work.

Q Have you represented Southwest Production Company in connection with Case No. 2415?

A Yes, I have.

Q In what capacity?

A As a land man.

Q Are you familiar with the mineral lease ownership in the land in question in Case No. 2415?

A Yes, sir.

Q Did you have occasion to procure any leases in this area for your client, Southwest Production Company?

A No, sir. We bought these leases from Northwest Production Company.

Q Are you aware of whether the entire east half of Section 14, Township 30 north, Range 12 west NMPM, San Juan County, New Mexico, is under lease to either Southwest Productio . Company

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1132

ALBUQUERQUE, N. M.  
PHONE 243-6501



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1152

ALBUQUERQUE, N. M.  
PHONE 243-6681

or any other oil-gas company?

A All except the land held by Abas Hassam is theirs.

Q Would you please indicate for the record what interest, if any, was owned in this area by Abas Hassam.

A Abas Hassam had an undivided one-quarter interest in twenty-eight acres which is a portion of the southeast of the SE $\frac{1}{4}$ .

Q You say Abas Hassam had. Would you please state whether or not Abas Hassam, to your knowledge, is alive?

A No. I have finally obtained information that Abas Hassam died on July 23, 1946, at the age of 75 in a mental hospital in the state of Arizona.

Q Have you made any effort to ascertain the name and whereabouts of the heirs at law of Abas Hassam?

A Yes, I have. We were able to find or get the names of six, two of whom are supposedly in the United States, but I have been unsuccessful in attempting to contact them. Four of them live in Syria and needless to say, I have not been able to contact them.

Q Have you written any letters?

A Yes, I have.

Q What were the disposition of these?

A Well, the ones in the United States were returned unclaimed, no known address, no forwarding address, and I have received nothing from Syria.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6091

Q Do you have any other avenue you could explore to ascertain the names and whereabouts of --

A I suppose I could make a trip to Syria, but --

Q You stated, Mr. Jones, that all of the properties in the east half of Section 22 are under lease with the exception of the Abas Hassam tract. I note in the estate that D. M. Longstreet appears to own an interest in this land.

A Well, we had a lease from the record owner of the land by the name of D. M. Longstreet, but legally there is an unleased interest there.

Q Would you explain why?

A The circumstance is that D. M. Longstreet died in the '30s and some two years after that, without having probated the will, the widow proceeded to convey the lands. There were, unfortunately, seven minor children or seven children at this time. Mr. Longstreet had died intestate.

Q Did he die a resident of the state of New Mexico?

A Yes. He was a resident of Flora Vista at the time of death.

MR. COOLEY: At this point, I request the Commission to take administrative notice that under the laws of the state of New Mexico as it was in the 1930s, the law of intestacy would dictate that the estate of D. M. Longstreet would descend five-eighths to his widow and three-eighths to be divided equally between his children or their representatives.





DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-6691

Q (by Mr. Cooley) Would you proceed again. You say the only conveyance out of Longstreet was from the widow?

A Yes. There was, of course, subsequent conveyances by people in the chain of title. There has been a mineral severance so we would be concerned here with half the mineral interest because title to the other has been perfected.

Q There are no conveyances or leases of any type conferring this undivided three-eighths interest?

A No.

Q Have you made any efforts to contact the children of D. M. Longstreet?

A Yes. The seven children have now grown to fourteen heirs. I have located ten of them. Four I have not been able to locate and I am at present negotiating for a quitclaim on the leases from the heirs I have located.

Q Would you explain how seven grew to fourteen?

A Some of the children were deceased leaving widows and children.

Q But there are now according to your information fourteen people who are the permanent owners of this undivided three eighths interest?

A Yes, sir.

Q How many of these did you say you were able to contact?

A At the present time, five, but there are ten whose addresses I have been able to locate. I have not yet made con-



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-6701

tact with all of them. I should say I have not received answers to my inquiries.

Q You have attempted to make contact with all with whom you were acquainted?

A Yes, sir.

Q Also, I note in the application that it refers to the Goodwin Estate which claims some interest in this area. Would you state what that reference in the application means.

A It referred to that merely because on the abstract there is on record a final decree in a guardianship matter which indicates that the Goodwins may have had some interest in some land in the southwest of the SE $\frac{1}{4}$ . The case file when we went to check it out to see what was involved, has disappeared from the court records, so the only thing we have knowledge of is the final decree and it, of course, has put us on notice that there may be some other interest.

Q As far as this one Goodwin Estate was mentioned?

A Yes.

Q I also note from the application there is a reference made to certain gaps in description, particularly in the south-east quarter of the section. Would you elucidate on that?

A So far as I know from checking the descriptions and plots themselves, there are no gaps to fourteen.

Q Are there any other discrepancies in the descriptions?

A No, sir, they work out very well. That is one area



that they do work out.

Q There are numerous various-sized tracts in here?

A Yes.

Q Has there been a Dakota well drilled by Southwest Production Company?

A Yes.

Q What's the name and location of that well? Do you have that information with you?

A No, I imagine Mr. Wiederkehr, if you were to ask him, can give you that information.

Q Has it been completed?

A Yes, sir.

Q Was it completed as a prior Dakota?

A Yes.

Q In the application we have requested a risk factor as well as a compensation for supervision.

Would you give your opinion as to why we should be entitled to it even though the well has now been drilled?

A I certainly will. I have stated twice before that the risk factor we believe -- of course, the well is now a producer -- at the time we commenced the well we had no knowledge of that or that we would have lost the well by mechanical difficulties or found the sands not to exist or be productive, hence the reason for the risk factor.

Q Then, in fact, in your opinion in any area whether

there is known production or not, there is a certain amount of risk in drilling an oil-gas well?

A Yes, by the fact that some production wells are dry holes and some are lost for mechanical reasons.

Q Southwest Production Company will be the operator of this well?

A Yes.

Q And as such, they should be entitled to an allowance for supervision?

A Yes, in my opinion, they should.

MR. COOLEY: I have no further questions.

EXAMINER NUTTER: Are there any questions of Mr. Jones?

EXAMINATION BY MR. MORRIS:

Q Mr. Jones, referring to your application for a moment, do you have a copy of that?

A No, I do not have.

Q I hand you a copy. Is the information contained in Paragraph 2 relating to the description of the land owned by heirs of Abas Hassam, is that correct as it stands, Paragraph 2? That is the west half of the SE $\frac{1}{4}$ .

A Yes, that would be approximately right.

Q Well, it goes on from there --

A That is right, yes.

Q Referring to Paragraph 3 of the application where the acreage in which the heirs of D. M. Longstreet may claim some

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON N. H.  
PHONE 325 1152

ALBUQUERQUE N. M.  
PHONE 243 6631



interest; is that correct as it stands? I am asking these questions inasmuch as it wasn't specifically -- the description wasn't specifically given in the testimony.

A Yes, it appears to be the correct description.

Q Reference to Paragraph 4 of the application, does that accurately describe the lands --

A Yes, sir.

Q -- in which the Goodwin interests might assert the same claim?

A Yes, sir. Those lands are presently owned by the Smiths who have resided and actively farmed that land since 1909.

Q Do I understand that Paragraph 5 of the application is to be deleted because you believe no gaps exist?

A I believe without detailed survey, that's correct. From plotting the metes and bounds descriptions on a map, three dovetail very nicely. There is one area in there where this does occur. It is remarkable in that fact, but I believe their statement that without a detailed survey that this is probably correct, an accurate statement.

Q This problem would occur in any area where you had several diverse owners?

A Yes. I believe you could make that statement without a survey. It would be impossible to determine without a survey..

Q In referring back to the Longstreet acreage, how much



acreage does that encompass?

A That would be 18 acres. It's a half interest in 36

acres, so it would be three-eighths of eighteen.

Q Fifty percent into this figure 36 acres?

A Yes, sir, an undivided half. As I say, their interest would, of course, be three-eighths of that.

Q In the application, Mr. Jones, it's alleged that the claim of the heirs of D. M. Longstreet is disputed by Southwest Production Company, is that correct?

A It would be as to all but that three-eighths, yes.

Q You would not dispute the three-eighths?

A I wouldn't, no.

Q I was referring to the part of your application in Paragraph 3 wherein it states that the claim of said unknown heirs of D. M. Longstreet, deceased, in the above-described land is unfounded and invalid, and then it continues but upon the contingency -- in other words, you are referring just to the five-eighths there?

A Well, actually, they own the entire 36 acres. Mr. Longstreet did, and his widow conveyed the entire 36 acres, but in the subsequent change of title and conveyances, there was a mineral severance but the title has been perfected and half of the mineral interest by proper legal proceedings as to that portion, and as to the portion which the widow could legally convey, we believe that the claim that they might assert would be

unfounded and invalid.

Q I see. Thank you. With reference again to Paragraph 4 of the application it also states that you believe that any claim that the heirs of these Goodwin people might make would be unfounded and invalid; is that correct?

A As I explained, the Smith family has resided on that land and has actively farmed it since 1909. I would be inclined to believe that any claim the Goodwin might have would be invalid.

Q So, although you claim that the Goodwin claim is unfounded and invalid, you are asking the Commission to pool that interest in the event it might be found valid?

A Upon subsequent legal action, yes. The reason for that was simply that we have spent our money and taken the risk and we believe that subsequent legal action would show that people. We do believe we should be entitled to a return of our investment.

Q Now, Mr. Jones, inasmuch as Southwest Production Company does not recognize claims, some of these claims which you are still afraid of as far as contingency of future legal action might be concerned, has Southwest made any effort to actually secure quitclaim deed to leases from these people anywhere?

A I am at present, as I said, engaged with the Longstreet heirs. I am presently engaged in negotiating either for quit-

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON N. M.  
PHONE 325-1182

ALBUQUERQUE N. M.  
PHONE 243-6691

claims or for leases of their interest.

Q What about the Goodwins?

A I am unable to find any trace of the Goodwins. I have questioned oldtime residents in the area and nobody can remember the Goodwins. I have not been able to get any lead on them.

Q Would it have been possible, Mr. Jones, to quiet title to the outstanding interest of the heirs of Abas Hassam?

A Well, I suppose we could. I don't know how we are going to arrive at ownership. You have got to have some basis for asserting a claim when you institute a quiet title proceeding.

Q You might have some trouble with the color of title in that area?

A I know we would have some trouble.

Q That would cloud obtaining title by adverse possession?

A This is a severed -- I didn't state it, but the Abas Hassam interest is a severed mineral interest and the only way I can think of to prove adverse possession of minerals is by actively taking those minerals, which has not been done to this point.

Q Is there a possibility that the land belonging to the heirs of Abas Hassam would eventually go to the State of New Mexico?

A I have discussed that possibility with the state and we are agreed that there is such a possibility.

Q Mr. Jones, if the application should be granted as you





DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325.1192

ALBUQUERQUE, N. M.  
PHONE 243.6691

have requested, what would Southwest Production Company do with the money that would be attributed to the Hassam interest?

A We intend to set up some means, have the court appoint a trustee to hold those sums pending some determination of escheat to the estate or claims by heirs.

Q Is that a firm procedure that you are going to follow or is it just something you are thinking about?

A I have recommended that to Southwest and they have agreed that that should be the method that we undertake in this matter.

Q Meanwhile, you would withhold from the working interest --

A Yes, sir.

Q -- A certain percentage to be acquired to it?

A I think we would be really required to do so, yes.

Q I believe you stated, Mr. Jones, that you felt that some compensation for risk should be involved even though the well had already been drilled?

A Yes.

Q I have a little trouble finding the justification for risk where the wells already have been completed without difficulty. Would you care to elaborate on that any more?

A Only on the basis that at the time you commence a well you're not sure that it will be a producer until you actually complete it and put it on production. There is always a chance of losing the well. That's about the only thing I can say. In



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1192

ALBUQUERQUE, N. M.  
PHONE 243-6691

the face of a completed and producing well, it's rather difficult to say that you are going to lose the well.

Q You see no difference in asking for a bonus for risk, shall we say, whether it be before the well is drilled or after?

A Not as long as we have taken the risk, because you have actually assumed and taken the risk. I believe that's what the risk factor is for, to compensate you for taking the risk in drilling the natural resource of the state.

Q I believe you also said that Southwest would desire something for supervision of the well?

A Yes.

Q Would those costs of supervision be included in the well cost or are they carried by you as a separate account?

A They are carried in a separate account.

Q What would you feel would be an adequate percentage?

A Well, as I have said before, at the time I was with Shell on a wide range of thousands of wells, it indicated it would range from ten to twenty-five percent.

Q For supervision alone?

A Yes, over the life of the well; and, of course, our instructions from Shell were that we fight to the death to prevent going below ten percent because their accountant had worked this out and according to his statistics, that was the minimum you could go and come out and that, of course, depends on the type of well depth and the number of wells in the field.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325 1182

ALBUQUERQUE, N. M.  
PHONE 243 6691

etc.

MR. COOLEY: That's ten percent of the original well cost?

THE WITNESS: Yes, not of production, no.

Q (by Mr. Morris) So, you are asking for twenty-five percent bonus for risk plus another percentage to be added to that for supervision, if I understand your application?

A That's right.

Q Mr. Jones, if the Commission should grant the application with respect to pooling the interests with the working interests attributed to the Hassam interest, with the working interest of Southwest in the remaining acreage and then pool all royalty interests and let it go at that, would Southwest be satisfied with that type of an order?

A Would you like to go over that again?

Q If the Commission should pool all royalty interests and then pool the working interests attributable to the Hassam 28 acres, I believe, with the working interests presently owned by Southwest Production Company, thereby omitting any working interest claim that might arise in favor of the Goodwins or the Longstreet heirs, would Southwest Production Company find that sort of an order livable?

A I would say as to the Goodwin heirs -- because I don't believe they have a claim, but as to the Longstreet heirs, I would say no, because I have not completed my negotiations with



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325 1112

ALBUQUERQUE, N. M.  
PHONE 243 6691

them nor have I been able to locate four of the heirs, so in the absence of having completed negotiations and having been able to locate all of the heirs, as to the Longstreet heirs, no, because I think we should be entitled to protection there, at least to the return of our money if they should assert their claims.

Q You feel you have made all diligent effort to secure the quitclaim deeds or leases from the heirs, the Longstreet heirs, even though you, at the same time, are denying that they have a valid claim?

MR. COOLEY: May I interrupt at this point? The matter that is being brought up about denying has to do with the fact that D. M. Longstreet at one point owned the interest on the 36 acres after his widow purported to convey the entire 36 acres which she was not legally empowered to do. There was a mineral severance of one-half of the minerals to which we now have a lease, one-half of the minerals have has been the subject of quiet title action wherein the Longstreet heirs were quieted out.

There has not been a quiet title action with regard to the other one-half interest, so it is the quieted one-half interest which we think they could still conceivably assert a claim to but unsuccessfully, but as to the unquieted one-half interest they're just vested owners.

THE WITNESS: I am not denying their ownership because they have it; they own it.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-6501

Q (by Mr. Morris) I follow you now. You feel you have made all reasonable effort to locate your lease?

A I am still continuing those efforts and we will continue to do so until we either get a quitclaim or lease offering a quiet title action to clear the matter.

Q As to the ten of the fourteen that you have located, have you been successful in obtaining leases or quitclaims from any of them?

A From five of them I have gotten agreements that we will get quitclaims if the others do.

Q Do you feel that you made reasonable offers --

A Yes.

Q -- in that regard?

A Yes. I pointed out to them that their mother or grandmother conveyed the lands and received a valid and, at that time, a substantial consideration for the land and the minerals and that I believe they have some obligation to ratify her act and we have offered them valid considerations for each of the quitclaims.

MR. MORRIS: I have no further questions.

EXAMINATION BY EXAMINER NUTTER:

Q Mr. Jones, there are 28 acres in the Hassam tract, 18 net acres in the Longstreet tract?

A Three-eighths of 18.

Q And the Goodwin tract contains how many acres or is



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6601

it the Smith tract?

A That would be 20 acres but as I say, the only thing we have on them is the decree, the guardianship decree by the court indicating that they might have had some interest in those lands at that time, but the Smiths have resided and actively farmed that land since 1909.

Q Did the Goodwins own it before the Smiths?

A No. That's the only thing that shows up which gives any indication that they had any interest in those lands. As I said, the file in the courthouse has disappeared. We cannot find the file so we are unable to determine what the interest is, but those lands are mentioned in the decree which was of record so it's the only thing that can be found in regard to that case and it does not specify what their interest was. It merely cites those lands in the decree, which gives us some reason to assume that they may have or might have claimed some ownership or interest at that time.

EXAMINER NUTTER: Are there any further questions?

MR. MORRIS: I would like to have the location and name of the well if possible.

MR. COOLEY: The well in question is the Pearl Wilkes located in the northeast quarter of the NE $\frac{1}{4}$  of Section 14.

MR. MORRIS: Thank you.

EXAMINER NUTTER: Are there any other questions of the witness?



He may be excused.

(Witness excused)

EXAMINER NUTTER: Do you have anything further?

MR. COOLEY: I note from the cross-examination of the witness and the history of cases of this type that there is considerable hesitance on the part of the Commission to consider risk factors after the well has been drilled and completed as a productive well. It's my contention in this matter that hind sight is much better than foresight. It's tantamount to telling a man he must draw the ace of spades out of a deck of 52 cards when the odds are 52 to 1 against him and after he has been successful in drawing the ace of spades, being told that he could not draw it.

Now, our client in this case has spent a substantial sum of money, somewhere between \$75,000 and \$100,000 drilling and completing a well. I am sure that the Commission can take judicial notice or administrative notice of the fact that it is common knowledge that there is certainly some risk attendant to drilling of any oil-gas well, whether it be in a known defined producing area or a wildcat and we readily admit that we are not entitled to risk factor nearly so great as we would be had this well been drilled as a wildcat but we contend we are entitled to a risk factor to some degree because of the simple mechanical fact that any well can be lost at a great expense and the Dakota formation is well developed in the San Juan Basin. However, it

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON N. M.  
PHONE 325 1182

ALBUQUERQUE N. M.  
PHONE 243 6701



is not so well developed that we have not had a number of dry holes in an area where the operators were actually dismayed by the absence of production in the area where they drilled.

To look back after a man's money has been spent and risked and had the well then drilled we would have lost \$75,000 to \$100,000.

None of these other people who owned unleased interest in this area would have risked a dime nor would they have lost a dime. Every cent of the loss would have been attendant upon Southwest Production and to state after they have been successful in their risk that they took none is again, I say, using hindsight rather than foresight which our client was required to use at the time they drilled this well.

With respect to the tack that Mr. Morris took in cross examination, would Southwest Production Company be willing to settle for an order pooling only certain interests that have been brought out in the testimony, I would like to go on record as being of this opinion, legally: That if evidence is produced to show that there are unleased tracts in an area which comprises a spacing unit as established by the Oil Conservation Commission of New Mexico that the proof of any acreage whatsoever existing in this area where diligent efforts have been made without avail is grounds for granting pooling as requested and that any forced pooling order, once ground has been shown, should be granted force pooling the entire spacing unit designated and requested.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691





DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1122

ALBUQUERQUE, N. M.  
PHONE 243-6601

Only in this way do you actually force pool the unit requested and that in the statute is the purpose of force pooling, to consolidate the interests within an established spacing unit. By that I mean established by the Commission in order that wells might be drilled and developed on standard spacing. To reiterate that, once any ground has been shown and diligent effort has been made, a forced pooling order should issue stating in general terms that "ground now has been shown and the east half of Section 14 is hereby force pooled."

MR. WIEDERKEHR: Before you conclude your testimony, may I say something?

MR. COOLEY: Mr. Wiederkehr would like to testify in the case if you have no objection on risk factor.

MR. MORRIS: Let the record show the witness was sworn in the previous case.

V. L. WIEDERKEHR

called as a witness by and on behalf of applicant, having been previously duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. COOLEY:

Q Mr. Wiederkehr, are you familiar with the subject well?

A Yes.

Q Would you tell the Commission what the actual conditions were encountered in the drilling of this well with regard

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-669

to risk?

A I might point out that this well was perforated and fractured and tested so poorly that we suspected a bad cement job. We squeezed the perforations and we perforated and refracked the well, subjecting ourselves to the possibility of losing the thing so I think the fact that we did squeeze, re-perforated and refracked added to the risk involved in the completion of this well. I thought that might be of interest to you along the risk angle.

Q What has been your experience in the Basin-Dakota Pool, your actual personal knowledge of dry holes in the Dakota formation?

A Since I have been with Southwest Production, we have only drilled one dry hole. The well appeared at the time we logged it to be useful. We followed normal completion practices and the well turned out to be a dry hole to our dismay, as you suggested earlier.

Q Did you have any expectation that this well would be other than a commercial producer?

A The log suggested it would be a commercial well. In the fracturing process, we broke into water and we squeezed and fracked but we were never able to make a commercial well out of it.

Q Would you attribute the failure to make a commercial well in this particular case to existing conditions or absence



of production in the area?

A I attribute it to the fact that there was communication from the main Dakota sands to some lower zone which was carrying water. They were fractures which we couldn't anticipate.

MR. COOLEY: No further questions.

EXAMINER NUTTER: Are there any other questions of the witness?

MR. MORRIS: No, sir.

EXAMINER NUTTER: The witness may be excused.

(Witness excused.)

EXAMINER NUTTER: Do you have any further testimony?

MR. COOLEY: My witnesses have no further testimony.

MR. MORRIS: In the past, the Commission has been very careful in its use of its forced pooling power. I believe rightly so. The Commission has pooled interest only after showing that diligent effort has been made to secure the voluntary consent of the person whose interest is being pooled.

Now, I am speaking in terms of situations where the person whose interest was being pooled is known and has been located and therefore has been made to deal with him to no avail. In the past, I believe the Commission has also pooled the interest of persons that have not been located where the applicant has made all diligent effort to find that person in order to secure his voluntary consent. Obviously, very little consent can be secured if he cannot be located.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691



The Commission has not in the past pooled the interest of persons who merely have a contingent interest where no effort has been made on the part of the applicant to secure a voluntary consent of those parties.

I believe that the effort in this case would show that the applicant has made diligent effort to secure, locate, and secure the consent of the heirs of Abas Hassam and perhaps the same is true also as to the heirs of D. M. Longstreet. As to the Goodwin heirs, they have not been located, although I believe Mr. Jones does state that he has made some effort to locate them.

Now, Mr. Cooley's position as stated is that the Commission should in all cases pool all of the interest within the unit in question if it is to enter a forced pooling order at all. It occurs to me that the Commission should approach this point of view with caution for the reason that an applicant could show one interest within a unit to which he has applied diligent effort to secure voluntary consent of that interest and thereby obtaining a forced pooling order which, if he pooled all mineral interests within the unit, would have the effect of pooling other interest to which, perhaps, diligent effort has not been applied.

I think in this case, however, the application has been most clear and most fair in pointing out the particular regard in which the interests are deficient but I would urge



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691

the Commission to use caution in pooling all mineral interests within a given unit where that order would necessarily pool contingent interests only.

That's all I have.

MR. COOLEY: Mr. Examiner, may I have equal time?

EXAMINER NUTTER: Yes, sir.

MR. COOLEY: We are going somewhat afield in this case because there are no contingent interests to our knowledge other than the ones mentioned, the Goodwin Estate, but since the point has been raised, I would like to rebut the argument of Mr. Morris, or attempt to, on this matter of contingent interest.

I think there is a practical situation that possibly the Commission is yet unaware of which I am sure that any attorney in the state or any other state, for that matter, actively engaged in title work can readily reveal to the Commission, and that is that before a producer of oil and gas can get the ultimate thing that he was seeking -- a return on his money -- he must be able to have a release by the gas purchaser or oil purchaser to whom he is selling his production from this particular well. This may also come as an amazing fact to you, but such purchasing companies have no hesitancy whatsoever in taking this oil or gas. The hesitancy comes in paying for it. There are actual situations existing in the San Juan Basin where runs from wells in my particular knowledge, have been held up for as much as four or five years without any payment whatsoever because of



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243-6651

title defects of which the purchasing companies are the sole judge as to whether they will accept your title or refuse it.

We don't claim that you should be entitled to produce the well and make any money off of it in this sort of situation, but you should at least be entitled to get your money back that you spent in drilling a productive well and we don't come to the Commission on the contingent matter as a substitute for quiet title action because obtaining the money that you spent in drilling a well, getting those monies returned is certainly not enough to encourage anyone to drill an oil-gas well. If you spend \$100,000 drilling a well and get \$100,000 back at the end of two or three years, certainly there is no incentive to drill this well.

We feel, however, that the power of the Commission to force pool such contingent interests removes these grounds with respect to the production up to the point where the well has paid out as a very worthwhile thing both in the interest of conservation and the interest of getting additional wells drilled. We in no way take the money of any party involved. They are entitled to receive their fair share of production, his proportionate share of the production until such time as it is paid out. We feel the parties risking their money in drilling this well should be entitled without further adieu to get it back. That is merely an economic situation and in no case is anybody being hurt because whoever owns this land should have to bear



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691

their proportionate share of the cost of drilling.

MR. MORRIS: Do you feel that if the Commission freely pooled contingent interest it might give rise to imprudent leasing practices?

MR. COOLEY: Definitely not, in my opinion.

MR. MORRIS: Would it be possible for an operator to merely secure some color of title to the leases and make less diligent efforts to secure valid leases on all of the interests within a unit and then come to the Commission for a forced-pooling application? I am not saying --

MR. COOLEY: It is possible but it would be foolhardy. Again, you have encountered the risk in drilling the well and you have risked \$100,000 which you could lose.

MR. MORRIS: It might be done before the well were drilled.

MR. COOLEY: He would not be entitled to anything because he couldn't show title to it so he would stand no chance whatsoever of obtaining any profit on his money. He certainly would be foolhardy to take a lease that he did not think were valid and spend his money on the basis of these leases because the best he could hope for even with a forced pooling order would be to get his \$100,000 back.

EXAMINER NUTTER: I don't follow you on this basis of being able to produce the well only until it paid off. You don't seek a force pooling order only until the well is paid for, do



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON N. M.  
PHONE 325-1192

ALBUQUERQUE N. M.  
PHONE 243-6791

you?

MR. COOLEY: If it is not forced pooled and the Commission issues its order there are a good many times that firms will say yes -- the pipe line company -- you may give the operator his \$100,000, the cost of his well, but when you get to that point, stop. This permits financing of the well; this permits the title attorney to render an opinion to one of the many oil banks that finance these wells that his money is good up to the amount of money that has been loaned to drill this well. Then when you get the well paid for the runs will have to be held up until the title is clear and the purchasing company knows who to pay his money to..

EXAMINER NUTTER: These cases you are speaking of that you know of personally where the runs were held up for several years, was production bought until such time as the well had been paid for?

A It wasn't bought at all. It's taken, yes. The pipeline company takes the oil; they're happy to take the runs but they don't write you a check for it. You haven't clear title is what they tell you. So the man has spent his money and he's got a producing well and he's got maybe two or three hundred thousand dollars in the crude run and they can't get a cent of it back and if he mortgages this well he is going down. He can't get the money. If you start out with the basic assumption which I think is perfectly valid from an equity standpoint that who-





DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. H.  
PHONE 325 1182

ALBUQUERQUE, N. M.  
PHONE 243 6241

ever owns these interests should bear their proportionate cost of drilling the well, then by Commission order the person who drills the well gets the \$100,000 -- if that's the cost of the well.

EXAMINER NUTTER: I see. Does anyone else care to voice an opinion on this matter? This is of interest and importance to the Commission.

MR. BRATTON: I had something to do with the drafting of this statute under which they are operating. I would suggest to the Commission -- I certainly would hope it would not delay entering an order in this case because I know Mr. Cooley and his client want and are entitled to expeditious treatment of this case. However, some of the questions that have been raised here are basic to the whole history. As you know, the oil-gas association had a fifteen-man committee working with this commission on regular drilling practices this year. This committee has on it producers, lawyers who write considerable numbers of title opinions and it is a pretty good cross-section of the industry. I think we are not going afield. That committee would like to have an expressed opinion as to the scope of orders that should be, in their judgment, issued under the forced pooling statute; and also, as to the question of a risk factor where a well has been drilled, I think the committee would like to tender its suggestions to this Commission for what value they might be to the Commission.



MR. MORRIS: Does that committee meet again any time soon?

MR. BRATTON: It certainly could. Mr. Greer can get it together in the near future. I doubt if it could meet within what I think would be a reasonable time to get an order out in this case, but as far as long-range situations, I think it could probably get together and give you some of their judgments within two or three months at the latest. I am not suggesting that the committee would decide cases for the Commission but I think the Commission would appreciate any enlightenment on the subject that the committee would be willing to give. That is, assuming the committee would like to from the viewpoint of the title attorney, give to the Commission the benefit of those viewpoints for such weight and consideration as the Commission desires to give them.

EXAMINER NUTTER: Thank you, Mr. Bratton.

MR. MORRIS: I would certainly appreciate any expression the committee might have on these two very vital points raised in this particular case.

MR. COOLEY: I would like to cite the case and point out to you that I did not feel that any of the vital issues that we apparently disagree on are involved in this particular case. This particular case involves a particularly large sum of money. We would like very much to divorce the hypothetical comments that are part of the record in this case from the

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325 1112

ALBUQUERQUE, N. M.  
PHONE 243 6691



actual case itself and urge the Commission not to hold this record on that or in any way delay its decision on this particular case.

EXAMINER NUTTER: Thank you.

Are there any further statements to be made in this

case?

The case will be taken under advisement.

-----



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON N. M.  
PHONE 325 1182

ALBUQUERQUE N. M.  
PHONE 243 6591

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243 6691

STATE OF NEW MEXICO )  
COUNTY OF SAN JUAN ) ss.

I, THOMAS F. HORNE, NOTARY PUBLIC in and for the County of San Juan, State of New Mexico, do hereby certify that the foregoing and attached transcript of hearing was reported by me in stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 27th day of November, 1961, in the City of Farmington, County of San Juan, State of New Mexico.

Thomas F. Horne  
Notary Public

MY COMMISSION EXPIRES:

11-2-65



BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

February 14, 1962

REGULAR HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-8591

IN THE MATTER OF:  
(De Novo)

Application of Southwest Production Company  
for a hearing de novo in Case No. 2415,  
Order No. R-2150, relating to the force  
pooling of mineral interests in the Basin-  
Dakota Gas Pool in the E/2 of Section 14,  
Township 30 North, Range 12 West, San Juan  
County, New Mexico. Interested parties in-  
clude the unknown heirs of Abas Hassan, the  
unknown heirs of D. M. Longstreet, and  
Robert E., Alice L. and Samuel G. Goodwin,  
or their unknown heirs.

and

(De Novo)

Application of Southwest Production Company  
for a hearing de novo in Case No. 2416,  
Order No. R-2151, relating to the force  
pooling of mineral interests in the Flora  
Vista-Mesaverde Gas Pool in the E/2 of  
Section 22, Township 30 North, Range 12  
West, San Juan County, New Mexico. Interested  
parties include Roy Rector, O. G. Shelby,  
Dwight L. Millett, Myron H. Dale, George T.  
Dale, and Julian Coffey.

and

(De Novo)

Application of Southwest Production Company  
for a hearing de novo in Case No. 2446,  
Order No. R-2068-A, relating to the force  
pooling of mineral interests in the Basin-  
Dakota Gas Pool in the E/2 of Section 22,  
Township 30 North, Range 12 West, San Juan  
County, New Mexico. Interested parties in-  
clude Roy Rector, O. G. Shelby, Dwight L.  
Millett, Myron H. Dale, George T. Dale, and  
Julian Coffey.

and

CASE NO.  
2415

CASE NO.  
2416

CASE NO.  
2446



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1152ALBUQUERQUE, N. M.  
PHONE 243-4691

(De Novo)

Application of Southwest Production Company  
for a hearing de novo in Case No. 2453,  
Order R-2152, relating to the force pooling  
of mineral interests in the Basin-Dakota  
Gas Pool in the E/2 of Section 7, Township  
30 North, Range 11 West, San Juan County,  
New Mexico. Interested parties include  
Harold M. and Maleta Y. Brimhall.

CASE NO.  
2453

## BEFORE:

Edwin L. Mechem, Governor  
E. S. "Johnny" Walker, Land Commissioner  
A. L. "Pete" Porter, Secretary-Director of Commission.

TRANSCRIPT OF HEARING

MR. PORTER: The Hearing will come to order, please.

We will take up next Case No. 2415.

MR. WHITFIELD: The application of Southwest Production  
Company for a hearing de novo in Case No. 2415, Order No. R-2150.

MR. VERITY: The Applicant is ready.

MR. PORTER: I would like to call for appearances in  
this case. Are there any other appearances other than Southwest?

MR. MORRIS: Mr. Coffey has requested that his statement  
be read into the record at the close of the case.

MR. BRATTON: If the Commission please, Howard Bratton,  
appearing on behalf of New Mexico Oil & Gas Association. We have  
no direct interest in this case or the succeeding three cases;  
however, it is our understanding that these four cases involve  
some basic interpretation of the forced pooling statute as amended  
by the legislature. Inasmuch as that statute was originally



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243-6691

directed and sponsored by the regulatory practice committee of the New Mexico Oil & Gas Association, we would appreciate an opportunity to consider any basic interpretations of the general applications raised in these hearings. For that purpose, we would request that a thirty-day period of time be given within which any interested party or organization could submit written statements as to the basic interpretation or policies raised in connection with the amended statute.

MR. VERITY: May it please the Commission, I realize that these four cases that are next on the docket may possibly involve the setting of general principles by this Commission that will apply to other cases and for this reason, I think Mr. Bratton's request is well taken, that it is entirely proper for the Commission to consider any statement or recommendation that the New Mexico Oil & Gas Association's regulatory practice committee should have. We think it is something that should be considered. There is a best answer to it. We are most likely to come up with the best answer if it hears from everyone who might have an interest in the outcome of these hearings. Therefore, I make no objection to this thirty-day period of time for the Association to make a statement or file with the Commission a written statement.

MR. BRATTON: May it please the Commission, I would like to clarify one point; inasmuch as there are fifteen people, including five lawyers, on the committee, I do not want to guarantee that we will be able to agree on anything.



MR. PORTER: Off the record.

(Off-the-record discussion held.)

MR. PORTER: We will --

MR. SELINGER: Mr. Porter, before you make your announcement, Mr. George W. Selinger for Skelly Oil Company. We are a member of the New Mexico Oil & Gas Association, having been forewarned by Mr. Bratton that there are ten people and five lawyers on that committee that agree, we would like, if the Commission will permit, to be a friend to them. We would like to enter our appearance as a friend to the Commission, as we are interested in this. There are twenty-five other states having pooling provisions and plagued with some of these questions. My associate and I have made a study of this and we are vitally interested. We would like to have the opportunity of being your friend.

MR. PORTER: The Commission can use some friends. Do we have any other appearances?

MR. BUELL: For Pan American Petroleum Company, Guy Buell. Pan American is not directly interested in this, but we are intensely interested in the Commission's policies and procedures relating to the forced pooling statute that may be adopted as a result of these four cases. We would like to enter our appearance, also, we hope, as a friend of the Commission.

MR. PORTER: Does anyone else want to make an appearance?

MR. MORRIS: Richard Morris, appearing for the Commission staff.





MR. VERITY: George M. Verity, appearing on behalf of Southwest Production Company, the Applicant.

MR. WHITWORTH: Garrett Whitworth, appearing on behalf of El Paso Natural Gas.

MR. PORTER: The Commission will allow until March 15, Mr. Bratton, for the New Mexico Oil & Gas Association, the regulatory and practice committee, lawyers or any other interested parties to file on these issues.

MR. VERITY: I would like to call Mr. Jones to the witness stand. Your Honor, this case has much in common with the four cases to follow. Each of the cases involve a separate pooling applicant, a separate tract of land, but there is evidence that will be particular to each of the four cases. but there is a bulk of evidence, probably half, that will be common to all four cases, and for this reason, in order to obviate the necessity of repeating this four times, I would like to move that we be permitted to make that testimony only one time and have it apply to all four cases, at that juncture, reserving the closing of each of the four cases until that is taken up.

MR. PORTER: Mr. Verity, the Commission will consolidate the cases. You may proceed in that case.

MR. MORRIS: Excuse me, Mr. Commissioner. Are the cases to be consolidated or to be consolidated for the purpose of hearing?

MR. PORTER: They will be consolidated only for the pur-

pose of hearing.

(Witness sworn.)

JACK D. JONES,

called as a witness herein, having been first duly sworn on oath,  
was examined and testified as follows:

DIRECT EXAMINATION

BY MR. VERITY:

Q Would you state your name and your occupation?

A My name is Jack D. Jones and I am an independent land  
man.

Q Mr. Jones, how long have you been employed doing land  
work in the oil and gas industry?

A For -- in excess of twelve years.

Q How long have you been in the San Juan County area?

A Approximately two years.

Q Are you familiar with the land situation and the prob-  
lems in the industry with regard to risk and leasing developments  
of property?

A Yes, sir.

Q Have you so testified before this Commission before?

A Yes, sir.

Q Mr. Jones, with regard to Case No. 2415, wherein South-  
west Production Company has made an application for a force pool-  
ing order on the East half of Section 14, Township 30 North, Range  
12 West, will you please tell us what the lease and land situation

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325 1112

ALBUQUERQUE, N. M.  
PHONE 243 6641



on that tract of land is, with regard to the Basin-Dakota Gas Pool.

A Southwest Production has under lease or operating agreement the entire 320 acres with the exception of those interests covered by the parties stated in the application.

Q Do you have the names of these particular parties you refer to?

A Yes, they would be Abas Hassan, who is deceased, so it would be his heirs and the heirs of D. M. Longstreet and also Robert E., Alice L. and Samuel G. Goodwin.

Q Will you please tell us what effort, if any, you have made to locate and contact the heirs of Abas Hassan?

A I have contacted the Arizona State Hospital and obtained from them the information that Mr. Hassan is deceased. They gave me the list of his known relatives that they had. I have made an attempt to contact those parties, two of whom live, or did live, in the United States. I have received no answer and there are several other parties who reside in Syria. I have had no return from my letters to Syria.

Q Have you made an effort to contact the D. M. Longstreet heirs?

A I have contacted the widow of D. M. Longstreet and have obtained from her, as far as she knows, the names of people who would be interested in that estate, and I have made an attempt to contact the parties. I have not been able to contact all of them.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 315-1182

ALBUQUERQUE, N. M.  
PHONE 243-6091

but the ones I have contacted have indicated that they would be willing to give me the material I need or to lease, if the other parties would do the same, which sort of puts me in an impossible position. I can't get the first one to take the step; they are waiting for somebody else.

Q With regard to Robert E. Goodwin and Alice L. Goodwin and Samuel G. Goodwin, what is the situation?

A I have been unable to obtain any information on their interest. Their interest, if any, arises merely from one document, an order from a case, a guardianship case, which indicates that they may or may not have claimed some interest in some of the lands in the East half of Section 14, the case in which this order was issued. I should say that the case file has disappeared from the court records, and consequently we are unable to determine what the reference meant and how any interest may have arisen, and I have been unable to obtain any information as to their whereabouts.

Q Is it Southwest Production Company's position that they own no interest?

A We do not believe that they have any interest because this is the only reference to them. They do not appear in the chain of title, merely this one reference in an order that they may or may not have an interest.

Q Do you feel that their interest should be force-pooled if they should have one?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243 6541

A Yes, I do.

Q Are there other parties that you know of which have an unleased interest in the East half of Section 14 of the Basin-Dakota Gas Pool?

A No.

Q Do you think, Mr. Jones, that you have made a reasonable effort to form a unit for the production of the Basin-Dakota Gas from the East half of Section 14, 30, 12, and reasonably endeavored to place all parties in that unit?

A Yes, sir.

Q Do you know whether or not Southwest Production has heretofore drilled and completed a well in the Basin-Dakota Gas Pool, lying in the section referred to?

A Yes, sir, they have.

Q Do you know the approximate cost of drilling and completing this well?

A That would be -- well, at the present time, the accumulated costs are \$80,309.02. We believe that the total cost will be somewhere in the neighborhood of \$82,000.

Q In the near future, will all the costs be in, in regard to this well?

A I believe it will.

Q Turning now, Mr. Jones, to the application of Southwest Production Company for force pooling, Case No. 2416, involving the Flora Vista-Mesaverte Gas Pool, underlying the East half of



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243 6631

Section 22, Township 30 North, Range 12 West, and at the same time directing your attention to Application No. 2446, Southwest Production Company's application for force pooling interest in the Basin-Dakota Gas Pool underlying the same, the East half of Section 22, Township 30 North, Range 12 West, are you familiar with the land lease situation underlying this half of the section, with regard to the two separate pools?

A Yes, sir.

Q Will you please tell us what it is?

A We have under lease or operating agreement all lands in the area with the exception of those held by O. G. Shelby, which is .36 acres, that held by Myron H. Dale is 6 $\frac{1}{2}$  acres and the lands of Julian Coffey about which there is considerable dispute as to the number of acres.

Q Did you mention George T. Dale?

A No, I did not. We have a lease from George T. Dale but the attorney who examined the title indicated that in his opinion the title to those lands were in Marion H. Dale and Verlene Dale, husband and wife. This is the situation that we have: We have obtained a lease from George T. Dale, and it appears that he is the owner of the land and the minerals. He obtained them by exercising a power of attorney given him by his brother, Marion, to purchase or deed the lands owned by his brother to himself.

Q Do you have the name of the wife of O. G. Shelby?

A Leona.



Q And the wife of Marion H. Dale, did you say was Verlene?

A Verlene, yes.

Q Do you know whether or not Julian Coffey was married at the time of the last inquiry?

A I do not believe that he is married.

Q Does the same situation pertain with regard to the formation of a unit underlying this particular half section of land, both with regard to the Flora Vista-Mesaverde Pool and the Basin-Dakota Pool?

A Yes, sir.

Q Do you think that you have made a reasonable effort to form a unit for production from this half section from each of these pools, that would include all parties owning an interest therein?

A Yes, sir.

Q Tell us if you will, please, whether or not Southwest Production Company has drilled and completed a well in the Flora Vista-Mesaverde production under the East half or 22, 30, 12?

A Yes, sir, they have.

Q Do you know what the cost of drilling and completing that well is?

A \$40,000.

Q Tell us, if you will, please, whether or not Southwest Production Company has completed a well on that half section into the Basin-Dakota gas pool?



DEARNLEY-MEIER REPORTING SERVICE, Inc.  
FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243 6691

A Yes, sir, they have.

Q What was the cost of drilling and completing that well?

A We have, at the present time, collected charges of \$73,909.32. We believe that the total cost will run somewhere in the neighborhood of \$75,000.

Q Directing your attention now, Mr. Jones, to Southwest Production Company's force pooling Application No. 2453, requesting that the Basin-Dakota underlying the East half of Section 7, Township 30 North, Range 11 West, be force pooled, are you familiar with the leasing situation with regard to the Basin-Dakota underlying that half section?

A Yes, sir.

Q Well, sir, what is it?

A Southwest Production Company has under lease or operating agreement all the lands therein, except possibly twenty acres, supposedly belonging to Harold M. and Maleta Y. Brimhall, in the South half of the Southwest of the Southwest quarter.

Q Have you made an effort to contact these people and lease their interest?

A Several efforts.

Q Have you found that it has been impossible to do so on any grounds, to either lease from them or to get them in a drilling and operation unit?

A Yes, sir.

Q Can you tell us whether or not the situation with re-





DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1162

ALBUQUERQUE, N. M.  
PHONE 243-6531

gard to the leasing problem under that half section is complicated or simple?

A It is rather complicated.

Q As far as you know, these are the only interests, but it is possible that there could be other interests that have not joined and because of the small tract and the legal complications?

A Yes, sir.

Q Has Southwest Production Company drilled and completed a well to the Basin-Dakota Gas Pool on this half section?

A Yes, sir, we have.

Q Do you know the total cost of drilling and completing this well?

A They have presently accumulated costs of \$73,725.47 and it is estimated that the cost will be somewhere in the neighborhood of \$75,000. While I am on this, I can't remember -- I think I have made the estimate for the well on the East half of 14. If I didn't say so, the accumulated cost on it was \$80,309.02, and we believe it will run about \$82,000. I can't remember whether I looked at that or some other figure.

Q In your opinion, have you made a good faith and reasonable effort to form a unit consisting of 100 percent of the joint owners or interested parties for this particular well on this particular unit?

A Yes, sir.

Q Mr. Jones, turning now to the general application that



would apply to all four of the applications of Southwest Production Company which are here before this Commission at this time, are you familiar, as a land man and person who has been dealing with the oil and gas business of this nature for a considerable period of time, with the cost of supervision of the production of wells?

A Yes, sir.

Q Since the Examiner Hearing in these four cases, have you made further investigations as to what the proper cost of supervision is in these areas?

A Yes, sir. I have had an opportunity to talk to several other companies, to go over some of the operating agreements of Southwest and to recheck several of the operating agreements which I, myself, had prepared.

Q Do you have an opinion as to what is a reasonable cost of supervision of the Dakota gas wells and the Flora Vista-Mesa-verde gas wells in this area?

A I believe the actual cost of supervision of the wells appears, from the information I have been able to obtain, is running somewhere between twenty-five and thirty-five percent. The Commission has allowed ten percent, which I think is rock bottom minimum that could be allowed, but I believe the actual costs are going to be in excess of the amount allowed by the Commission.

Q Have you made any particular investigations with regard to whether or not risk was involved in the drilling of the four wells that are on each of the units covered by the four applica-



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. J.  
PHONE 325-1122

ALBUQUERQUE, N. M.  
PHONE 243 6691

tions here before the Commission?

A I personally believe that it is a statement without -- just not capable of being contradicted. Any time you drill a well, there is a risk factor involved. You could break it down, I suppose, into at least three parts. First, being when you commence the well, you may not reach the formation or members of the formation which you are aiming for, because it may not be present. Second, that you may lose the well during the drilling of said well because of some unforeseen sub-surface condition or because of mechanical difficulty encountered in drilling of the well; and third, even after you have drilled and completed the well, the risk still exists that you may not have a commercially productive well, or if it appears that you do, at the time of completion, that said well may not prove to be commercially productive in that you just might lose your production prior to the time that said well has paid out and prior to the time that you have made any profit from it.

Q Mr. Jones, do the best of engineers occasionally make mistakes with regard to what their thinking on the payout on a formation will be?

A In my experience in dealing with engineers in the ten years I was with Skelly Oil Company, we encountered several errors in which they had made rather drastic mistakes in determining the reserve under a prospect.

Q Now, I believe you broke down the nature of the risks



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 324-1182

ALBUQUERQUE, N. M.  
PHONE 242-6641

encountered in drilling wells into three provisions as the possibility of not encountering production, the possibility of mechanical failure, and the possibility, after the well is completed, it still will not produce in accord with expectations. With regard to these categories of risk, is the risk known with regard to those four wells as to any of the three categories?

A Yes, I believe the industry generally assumes that all three elements will be present in any well that is drilled. That is, at least in my negotiations and preparations of operating agreements, I also threw in what I call non-consent well provisions which provide that any party that did not join you in the drilling of the well would have to pay a penalty, that penalty being to safeguard the parties that practice drilling these wells and assumed these risks and instances where I have negotiated and prepared these, my experience has been that these were at no time less than 200 percent penalty and in some instances was in the nature of 300 percent.

Q Mr. Jones, did you have the particular duty of negotiating and working out operating agreements for major oil companies?

A For seven years that was my main portion of my job with Shell, to negotiate and prepare such operating agreements.

Q Are these non-consenting clauses recognized by the industry as a risk factor in drilling and completing a well?

A I believe so.

Q Are you familiar with an operating agreement provided



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-6691

for operating or providing facilities in San Juan County.

A Yes, I have had the occasion to check both the Carson and Shell-Carson unit, which is in the Gallegos Canyon operation. The Shell's Carson unit provides the risk factor of 200 percent. The Gallegos Canyon provides for a risk factor of 150 percent.

Q Does the Gallegos Canyon also cover the Dakota Gas Pool?

A Yes, sir.

Q Are you familiar with whether or not parties who own interests in the Gallegos Canyon unit on occasion decline to join in the well and participate as non-consenting parties?

A Yes, sir.

Q Do you know whether or not, prior to the acquisitions of these particular four interests that appear here before the Commission, an operating agreement was negotiated with regard to tenants in common holding interest therein which did make provisions for a non-consenting well?

A As for the East half of Section 22 and 14, as a matter of fact, all the land so-called, by the Northwest Production deal that was previously on the operating agreement between Northwest and Montana, that agreement calls for 150 percent penalty on these lands.

Q Is this agreement still in force between various owners of these particular interests?

A It is the same agreement under which the property is being operated.



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325 1182ALBUQUERQUE, N. M.  
PHONE 243 6691

Q Do you know whether or not it was a full-area length between Northwest Production Company and Montana and Southwest and Tidewater are now living under it?

A Yes, sir.

Q Mr. Jones, do you have an opinion as to whether or not Southwest Production Company has incurred a risk in drilling these four wells?

A Yes, sir, I believe, as I stated, that any time you drill a well, you incur a risk which, as I say, I believe could be broken down in three component parts. I believe you assume each and every one of the elements of the component parts of risk, each and every time you drill a well.

Q With regard to the third portion of the risk that you outlined, is this still an unknown factor?

A Especially as far as the Dakota formation is concerned, because there is not just enough information about the Dakota. I have talked to several engineers who insist and have insisted for over a year that the Dakota will never pay out, that the people who drilled these Dakota wells are going to lose their shirts.

Q Mr. Jones, what are some of the things that are unforeseen that cause production of a formation not to produce what they are expected at the moment of completion?

A I don't know anything about the technical end of that, but I have seen wells that have been drilled and come in with tremendous potential that in a matter of just a week wind up with



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325.1192ALBUQUERQUE, N. M.  
PHONE 243 6691

nothing. A good example of that would be Garfield Gold and Canyon unit in Utah, where they drilled the initial well and brought it in for, I believe, about 155 million. Within three weeks that well would no longer give a satisfactory test and they drilled two subsequent wells, both of which were dry.

Q Have large pools such as the West Edmond unit in Oklahoma proven disappointing and far below the expectations?

A I believe the West Edmond pool was very disappointing. In the unitization of the unit, which provided for a recycle for a secondary recovery in the Edmond, whereby they were to recycle the gas to stimulate the recovery of oil and based upon engineers' recommendations, they felt that it would be economically profitable to do so. The area was consequently unitized and secondary recovery project started and I believe I have read that the recovery was somewhere in the neighborhood of 60 or 70 percent of what the engineers expected. By that, it is generally my experience that engineers tend to be rather conservative in their estimates. Since they didn't obtain what they figured it was, it must have been quite a failure.

Q Do you have an opinion as to the risk involved in the drilling of each of these four wells?

A Well, I think it is pretty obvious, from what I previously said, from my negotiations that I figure you have a risk figure of at least 100 percent, even on development, which is what this non-condensing factor applies to, the development of



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-6691

wells. It is my opinion that your risk factor runs considerably in excess of what the statute is allowing to recover in this state.

Q The statute places a minimum of 150 percent, which you have said is a minimum which you have known in operating?

A I have never seen one less.

Q Do you know how high risk factor Southwest Production has requested in these four cases?

A I believe the application stated 15 percent.

Q Mr. Jones, do you know whether or not Southwest Production Company would be willing, in spite of the fact that it has requested that it be allowed a risk factor, do you know whether or not, within a reasonable period of time, it would be willing to accept only 100 percent cash of the non-consenting parties for their share of the risk in drilling and completing these wells?

A I have discussed that with Southwest. They have indicated that they would be willing to have any one of these parties who are being force pooled to come in and pay their cash share of the well. Of course, I believe that those parties, by so doing, are assuming any of the risk that would still exist. By paying their share, they are assuming that continuing risk, that the well will not pay, but or something, will happen to the well.

Q Do you have an opinion as to whether or not an order of this Commission to force pool non-consenting interests, an order allowing a ten percent repatriation of cost of production and a completion of fifteen percent for supervision during the payout





## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243-6691

period and twenty-five percent risk factor would be a harsh remedy to place all the parties to protect their correlative rights?

A I certainly do not believe it would be harsh as far as the parties being force pooled is concerned. As a matter of fact, I believe that force pooling is an insufficient remedy as far as the operator is concerned. These are my own impressions. The only objective feature I can see to force pooling to the parties being force pooled is that he will not obtain the bonus that is paid, and secondly, the normal oil and gas lease contract that provides that that party can have free use of gas for his home, being a contractual obligation which does not exist between the operator and that party, I do not believe he would have the right to free gas. He would be able to, I believe it would have to be metered and charged against him there. Those are the only two disadvantages I can see and the possibility exists that he may obtain considerably more over a period of the life of the well than he is losing.

Q Of course, when a lease you would take all of his interest to operation, would you not?

A Yes, sir.

Q Now normally, the owner would take all the interest in all formations, except in the force pooling, and, does that one, pay appropriate share of the well, is that right?

A That is right.



Q Would it, in your opinion, to safeguard these interests protect the correlative rights and prevent unnecessary waste?

A Yes, sir, it would.

MR. VERITY: That is all we have.

CRONS EXAMINATION

BY MR. MORRIS:

Q Mr. Jones, referring to Case No. 2415, I believe you stated that you had made a considerable effort to contact all of the non-consenting interests that may still exist, that exist in this East half of Section 14?

A Yes, sir.

Q And that you mailed registered letters to the heirs of Abas Hassan but they were returned to you?

A No, they have not been returned.

Q Do you have the names of the heirs to whom you state that they were registered and in fact, they were not registered? Do you have the names of the heirs of Abas Hassan to whom you mailed the letters?

A The information obtained from the Arizona State Hospital indicates that his relatives were Sal Housen.

Q Do you have his address?

A 1213 West Madison Street, Phoenix, Arizona. My letter has been returned stamped "Unclaimed." He has another brother, Miriam Hassan, Denver, Syria.

Is that the only address you have for him?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243 6601



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691

A. Hakeem Hassan, Alhara, Syria. There were the half brothers in London, Hakeem and Hakeem, both of Alhara, Syria, and a half brother Al Hassan of Portland, Oregon. He have attempted to obtain information from the County Clerk there as to his whereabouts. I have been unsuccessful in obtaining any information.

Q. Mr. Jones, the first two names were brothers and the next two were half brothers?

A. The last three were half brothers.

Q. Now, what interest, if any, does Southwest Production Company allege that these heirs of Abbas Hassan own?

A. They would have an undivided one-quarter interest in thirty acres and if I testified in the previous instance that that was twenty-eight, I am in error.

Q. Then, an undivided one-fourth interest in thirty acres? Do you have a legal description of the thirty acres?

A. It would be, in essence, the West 30 acres of the South-east Southeast.

Q. Who owns the other remaining three-fourths undivided of this thirty acres?

A. F. J. Weik owns an undivided one-quarter, two acres. W. H. Lepin owns an undivided one-half interest in the other 28 acres. The other half interest is owned by Samuel W. Collins.

Q. Referring now to the interest that is owned by the heirs of D. M. Longstreet, could you give us the names of those heirs, please?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1152

ALBUQUERQUE, N. M.  
PHONE 243-6691

A There shall be fifteen heirs. There shall be the widow, whose name is now Nancy Long, Mrs. Lee Thayer.

Q Mr. Jones, rather than going through all fifteen names, would Southwest Production Company be willing to furnish the Commission with a list of the heirs and their addresses, as far as you were able to obtain them?

MR. VERITY: May I interject at this time, we do not know that these people are heirs. They are individuals that someone has advised us that their thinking is that they are heirs.

Q (by Mr. Morris) Is it Southwest Production Company's position that the fifteen persons whose names you will supply us are interest owners in the land in question?

MR. VERITY: May I answer the question? We do not know; there is no way of knowing until and unless there is some jurisdictional determination. We have no way of knowing; there has been no jurisdictional determination. It is impossible for us to make the determination of it. We have endeavored to contact them because someone has suggested to us that they are the heirs, but this suggestion does not make it fact. It is not something that we can rely upon to represent to the Commission.

Q (by Mr. Morris) Mr. Jones, what interest, if any, do the heirs of D. M. Longstreet own in the subject acres?

A The situation that exists is this: When Mr. Longstreet died, he was survived by the widow and several children. Mrs. Longstreet, without bothering to have the estate probated, sold



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243-6691

the land to another party and it has now passed through several hands to the parties from whom we have the present lease. Now, I imagine the interest would be governed by the New Mexico statute. She would probably have had half to start with, as community property. I am not sure what the statute is on that. I would imagine she would have received half as widow and the remaining half would have gone to the children, so that her half, I would assume, would have been legally valid as passed by her deed. We would be talking about whatever interest of the children would be. Now, as to that interest, which I believe would be the one concerning the minerals, the half interest in the minerals have been severed during the change and quiet title acts have been maintained by the owner of the surface and half of the minerals, so that that interest that we would be concerned with would be the proportionate share of one-half of the minerals.

Q Can you state to the Commission exactly what interest is owned by non-consenting owners in this unit, outside of Hassan?

A No, sir, I cannot.

Q Mr. Jones, if the Commission were to grant your force pooling request, how much of the production from the well would Southwest contribute to the Longstreet interest?

A Well, to be sure sure, I would have to check -- (indicating) I am sorry to confess that I haven't got that. I believe it would probably be one children -- am I correct that the children would receive a half interest?



**DEARNLEY-MEIER REPORTING SERVICE, Inc.**

FARMINGTON, N. M.  
PHONE 325.1192

ALBUQUERQUE, N. M.  
PHONE 243.6691

tion of this unit is to be determined by the Commission. This unit is to be distributed to the Longstreet interests.

MR. LONGSTREET: Would you answer the question?

MR. DEARNLEY: Yes.

MR. DEARNLEY: This is, of course, the problem that is represented, as you pointed out. It is the position of Southwest Production Company that it is not the prerogative of the Commission to determine what proportion of production a particular person in a unit is entitled to. We do not think that the Commission has the authority or the right to make such a determination. This is a question of title and reserved by the statute in the Constitution for the District Court. We think this Commission does have the authority, under the recently amended statute, to force pool all of the interests in a unit and we believe that we are going to have and that we raise many problems if we endeavor to here determine the exact acreage that any particular persons own. We do not think the Commission is authorized to make this decision. We think it is going to bring up much trouble if the Commission endeavors to do so. We think the particular point in this case, Longstreet has a situation because we have no way of finding out or ascertaining what the true heirs are. We have our opinion as to what the heirs of Longstreet are. We do not think the Commission can determine it and we do not ask the Commission to do so. Instead, we do feel we have a right to have all these interests force



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243 6691

pooled.

Mr. [redacted] in response to Mr. [redacted]'s remarks, which bear upon the relevancy of the question that I have been asking to Mr. Jones, I would like to call the Commission's attention to some of the wording in the compulsory pooling statute of which a copy is before each of the Commissioners. I would first refer to the second paragraph of the first page, the sixth line, where it reads, "Each order shall include the land, including the unit designated thereby." Also further down, at the last sentence on the first page and continuing to the second page, "Such pooling orders of the Commission shall make definitive provisions to any owner or owners who elect not to pay the proportionate share in advance." Now, it would be my position, and I think a reasonable one, that interpreting these phrases of the law that I have just read, that the Commission is under a positive duty to make a provision in its order with respect to each non-consenting interest that is being pooled as a result of your order; and in order to accomplish this, it is necessary for the Commission in its hearing to inquire into the nature and extent of each non-consenting interest who owns it, and what efforts have been made to locate that particular interest owner, to secure his voluntary agreement of the pooling and that the Commission's order that is entered should specify, a, b, c, or d as the owner of certain interests which have not consented to the pooling and are therefore being force pooled by virtue of the order.



I believe the questions of Mr. Jones are, with respect to the undivided interest, and given that, are absolutely necessary to his case.

A I would like to state, in regard to the Longstreet heirs, I personally feel it is debatable that they have interest in as much as quiet title suits had been brought out and quieted them out as to the undivided half interest. If they had no rights in the undivided half interest, in which they were quieted out, I think it is obvious that an interest in the other half has already been determined and there is a decree which finds that they have no interest, a court decree. However, the fact remains that only half of the mineral interest was conferred in that court case. However, the same factual situation exists as to the other half. The court has found, as to the half, that the Longstreet heirs had no right or title or interest. I personally question the right to the other half interest.

Q (By Mr. Morris) On behalf of a business production company, you allege to the contention that the Longstreet heirs have no outstanding interest within the land in question, is that your opinion?

A That is my opinion. What is the basis upon which the case I have been able to produce has been talked up, I have not discussed it in the light of giving questions about to protect and honor that estate. It is those many years ago that she sold the property without the benefit of a court order or probate.





DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325 1112

ALBUQUERQUE, N. M.  
PHONE 243 6601

Q So, in your mind, the court, you are making the assumption to force pool these interests, and you do not really know whether these interests exist or not, they may have been quieted out?

A That is my position. I believe Southwest is entitled to that protection, that if these interests should prove to be valid, and I have not been able to clear them out, I believe Southwest is entitled to the protection of the force pooling statute so that the cost attributable to those interests may be recovered.

Q Then, with respect to the total interest, are all the mineral interests that are outstanding within the land in question in case 2415, you have not been able to locate any of those interests?

A Yes, I have been able to locate some of them.

Q Some of the non-consentors?

A Some of those who might be. In other words, I haven't been able to locate some Longstreet heirs, but I have not been able to locate any of the Hassan heirs, and in my opinion there is no question as to the validity of interest held by Hassan.

Q With respect to the Longstreet heirs that you have been able to contact, what offers have you made to those heirs to secure their quitclaim deed or voluntary consent in this?

A I have described what happened to them and requested them to quitclaim any interest they may have to the present owners



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243 6691

and the ones I have been able to contact so far have said they will do so if the others would do so. I have not been able to contact one; at the time, he was in jail. He has since disappeared. I don't have any idea where he is now. I just haven't been able to run them all down or get in touch with them.

Q Mr. Jones, did you offer any consideration for a quit-claim deed?

A No, sir, on the simple basis that I do not feel that Grandma sold a valid consideration as such, at the time she purported to deed the entire interest.

Q So you have proceeded upon the theory that Longstreet heirs own no interest in the property in question?

A I believe the objections that have been raised concerning these are entirely technical ones.

Q Mr. Jones, you testified that a well had been drilled in the East half of Section 14 and I believe you testified that it was the Pearl Welks No. 1?

A Yes, sir.

Q Would you state where that well is located?

A I don't have the exact location, but it would be in the Northeast Northeast of Section 14.

Q Would you state to the Commission the date that drilling of this well was commenced?

A I do not have that, but it was prior to the time that we requested the force pooling.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691

that is notified in the notice. I am not sure of that.

Q. I am not sure of that. I am not sure of that.

A. I am not sure of that. I am not sure of that.

Q. (By Mr. Morris) Mr. Jones, I refer you to the form C-125 of the Pearl Wells No. 1 which says the drilling commenced June 7, 1961; does that sound reasonable?

A. Yes.

Q. And the drilling was completed on June 20, 1961?

A. Yes, that sounds about right.

Q. I further refer to the contents of this file to form C-126, the acreage and dedication plat on file with the Commission. I hand you an instrument that I have just referred to as the acreage dedication plat on this well and ask you to state the date and by whom this instrument was filed?

A. The instrument was filed by Carl A. Smith on June 2, 1961.

Q. What was Mr. Smith's position?

A. He is production superintendent.

Q. So, this was filed on June 2nd and the well record, well file, shows the well commenced five days later, on June 7th?

A. That's true.

Q. Now, would you refer to that acreage dedication plat and read to the Commission the question No. 1 that was asked in the



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243 6391

contents of this report.

A "Is the operator of the well, as outlined on the 2-1-55, the same as 'Yes'?"

A "The well is the same as the plot."

A "The well is 320 acres."

A "Could you explain the why it disappeared in the answer to that question?"

A "The well is one of the 320 acres. We had the entire 320 acres. It was a lease and we had a lease covering the whole lease interest. It was because of opinion by subsequent investigation that the lease is invalid."

A "Then you were proceeding with a theory that you had the whole 320 acres at the time you commenced drilling of the lease?"

A "Yes, because the company had purchased a lease."

A "But the lease, with respect to the 320 acres, was incomplete?"

A "Yes, sir."

A "Mr. Jones, do you know the date upon which Southwest Production Company filed its application for compulsory pooling of this property?"

A "No, sir, I don't know the date subsequent to the completion of the well. I don't know the date, I don't think."

A "I don't know the date of completion, the date of completion of the well. But the application for pooling and



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6591

filed with the Commission on April 23, 1961. I again refer to the date that the well was completed was June 20, 1961.

Q On the 23rd of April, 1961, or following, September 23, 1961, had there been any production from the Pearl Wells No. 1?

A I do not believe so.

Q Had there been any production as of this date?

A I believe there has; the well has --

Q Do you know what kind of things have been produced, oil, gas, water?

Q Now, Dr. Jones, do you know if the Pearl Wells No. 1 has been tested in the Dakota formation?

A I am sure it has.

Q Do you know it has?

A No.

Q Now do you have available information as a result of that test?

A I could obtain that information if it is not of record.

Q Do you know that the well has been drilled, tested, and completed and is capable of production in the Dakota formation?

A Someone has so drilled it.

Q Now, Dr. Jones, let's refer to Case No. 2446 and Case 2446. Is the same information, or simply the same as one of those cases?

A Yes, sir.

Q Now, I suppose the interests owned by O. G. Shurby and his



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6601

Q Fifteen percent royalty?

A Yes.

Q Now, with respect to the interest on the 6.5 acres owned by either Myron H. or George T. Dale, whoever it is that owns it, what is your position with respect to which one of these two men own that 6.5 acres?

A The examining attorney had stated that Myron H. Dale and his wife own the acreage.

Q Have you been able to contact Myron H. Dale and his wife?

A Myron H. Dale lives somewhere in Alaska. Mr. George Dale has refused to give me his address or to forward any cumulative material. Now, I made an agreement with Mr. George Dale that we would not drill on his land because he had certain plans for the development of that. I agreed we would not drill on that land in return for which he would forward certain cumulative material to his brother and wife for signature. As far as I know, that has never been done, because I have never received the cumulative material. We did not drill the well on Mr. Dale's land.

Q Have you made any effort to locate Mr. Dale's wife?

A You mean Terline? I assume that she is in Alaska with her husband. That may have been an old-fashioned unwarranted assumption.

Q You were unable to make any specific offer to either Myron H. Dale or his wife?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.  
PHONE 243 6691

ALBUQUERQUE, N. M.  
PHONE 243 6621



ALBUQUERQUE, N. M.  
PHONE 243-6691

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840. 84





DEARNLEY-MEIER REPORTING SERVICE, Inc.  
FARMINGTON, N. M.  
PHONE 335-1152

ALBUQUERQUE, N. M.  
PHONE 243-6691

MR. MORRIS: I ask the Commission to take administrative notice of the well file of the Southwest Production Company Irene Brown Well No. 1.

MR. PORTER: Which case does that involve?

MR. MORRIS: The Irene Brown Well No. 1 involving Case No. 2416.

MR. PORTER: The Commission will take administrative notice.

Q (by Mr. Morris) This well is in the Mesaverde, which is the subject of Case 2416, is it not?

A Yes.

Q Will you state where that well is located?

A Well, the Irene Brown Well No. 1 would be located in the Southwest of the Southeast of Section 22; I don't know the footage.

Q Referring to the form C-105, the well record in this well file, which I hand to you, is that the document that I just referred to?

A Yes, it would appear that I am in error on the location. I thought it was located in the Southwest of the Southeast.

Q I believe the acreage dedication plat, which I now hand you, will show that to be correct?

A Yes.

Q Will you state from the well record what the date of the commencement was of this well?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 326-1112

ALBUQUERQUE, N. M.  
PHONE 243 6691

A September 8, 1961.

Q What date was it completed?

A September 17, 1961.

Q Would you now refer to the form C-128, the acreage dedication plat, which I have handed to you, and I ask you to state when this form was filed and by whom?

A The form was filed by -- apparently on September 5, 1961, by Carl W. Smith on behalf of Southwest Production Company.

Q Mr. Smith being the production superintendent?

A Yes.

Q Now, with respect to Question No. 1 on the acreage dedication plat which reads, "Is the operator the only owner of the dedicated acreage in the plat below?" What answer is given to that question?

A "Yes."

Q What acreage was outlined on the plat?

A The entire east 320 acres.

Q Would you explain the apparent discrepancy?

A I have only one explanation. I have cautioned them against doing this, and my advisement went unheeded.

Q Mr. Jones, are you familiar with the practices of the Oil Conservation Commission in the Aztec office?

A In respect to what?

Q In respect to the C-105 and C-128 forms.

A No, sir.



DEARNLEY-MEIER REPORTING SERVICE, Inc.  
 FARMINGTON, N. M.  
 PHONE 325-1150

Q Have you ever heard of the practice being followed by the Commission in the Aztec office of what their position is when the acreage dedication plat shows an answer as "no" to that question No. 1?

A No, sir, no, I have never concerned myself with the filling of these. This is part of the drilling function; I have been retained by Southwest simply to handle the land matters.

Q Can you state to the Commission what inquiries Mr. Smith makes before he signs this form as to ownership of the acreage?

A He has made no inquiries of me. He merely ascertains the title satisfactorily to the parcel of land on which he wishes to drill.

Q He apparently did not make such an inquiry in this case, did he?

A No.

Q Would it be a reasonable assumption that he was neglectful in his duties?

A No, I wouldn't say so because he has a map furnished him which purports to show that Southwest acquired all this acreage except for the Millett and Coffey interest, and at that time, they had agreed to either lease or enter into an operating agreement with us.

Q Mr. Jones, with respect to the Irene Brown Well No. 1, do you know whether that well has been tested and found capable of production in the Flora Vista-Mesaverde pool?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 326-1112

ALBUQUERQUE, N. M.  
PHONE 243-1661

A I have been advised that it has actually produced. I believe that previous testimony before the Commission, at which time the 320-acre spacing was set up, indicated that this well had produced -- no, maybe not, at least that it had been tested, if not produced.

Q You cannot state definitely that it has been produced?

A No.

Q Mr. Jones, do you know the date upon which Southwest Production Company first made application for compulsory pooling of this particular portion?

A No.

MR. MORRIS: If the Commission please, application for force pooling was filed with the Commission on September 29, 1961, the well having been completed on September 17, 1961.

A Is that the occasion when we then withdrew our application because we had entered into an agreement with the attorney for Mr. Coffey and Mr. Millett that they would sign an operating agreement?

Q The application to which I refer, Mr. Jones, is the application that came on for hearing.

A That came on for hearing? Well, there was a prior application filed which we withdrew because Mr. Coffey and Mr. Millett, through their attorney, agreed to enter into an operating agreement for operations of their lands.

Q That application was withdrawn?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-6691

A Yes.

Q Mr. Jones, would you state the name of the well in the East half of Section 22 that is producing from the Basin-Dakota pool?

A The Ollie Sullivan No. 1.

Q Would you state where that well is located?

A That well should be located in the Northeast of the Northeast of Section 22.

MR. MORRIS: I will ask the Commission to take administrative notice of the well file on the Ollie Sullivan Well No. 1.

MR. PORTER: The Commission will take administrative notice of their file.

Q (by Mr. Morris) I hand you the C-105 form, the well record of the Ollie Sullivan No. 1 and ask if that is the instrument that you have before you.

A Yes.

Q I also hand the well location and acreage dedication form C-128 on the subject well; is that the instrument I have just handed you?

A Yes.

Q Referring now to the form C-105, the well record, will you state to the Commission the date upon which the Ollie Sullivan Well No. 1 was commenced?

A July 25, 1961.

Q What was the date of completion?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243 6591

A August 7, 1961.

Q I refer you now to the acreage dedication plat form C-128. Would you state to the Commission what date that form was filed and by whom?

A July 24, 1961, by Carl Smith, production superintendent.

Q In answer to Question No. 1, "Is the operator the only owner of the dedicated acreage outlined below?", what answer was given?

A He gave the answer, "Yes." I might say, at that time we had negotiated with Mr. Coffey and Mr. Millett, at least through their attorneys, and they had agreed to him and Mr. Coffey leasing the lands. Subsequently, when we found he would not, we entered the force pooling action. The earlier information we had which was drawn upon the agreement between Southwest's attorney and the attorney for Mr. Millett and Mr. Coffey, that they would enter into an operating agreement covering those lands. At that time, the Shelby parcel and the others there were still valid and subsisting leases. In my mind, I believe Carl Smith probably was acting upon this information when he said the entire 320 acres.

Q Based upon your information that negotiations were pending, is that correct?

A Yes, and as a matter of fact, it was considered more than negotiations, because I had an actual agreement to lease on the basis of \$50 an acre and 17½ percent royalty with certain exclusive clauses providing we wouldn't drill on their land and cer-



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325.1112

ALBUQUERQUE, N. M.  
PHONE 243 6691

tain requirements such as that. Between the time that I had such a document drawn and returned to them, they changed their minds and decided they would not lease. When I reproached them, or Mr. Millett, I was told only a mule and a post never changed their minds, that he was neither.

Q Mr. Jones, can you state to the Commission, whether the Ollie Sullivan Well No. 1 has been tested and found capable of production in the Dakota formation?

A I have been so advised, but I do not know whether it has produced.

Q Do you know the date when Southwest Production Company first applied for force pooling in the Dakota formation?

A No.

MR. MORRIS: If the Commission please, the record will show that the application just referred to was received by the Commission on October 11, 1961, the subject well having been completed on August 7, 1961.

A Is that the one that was withdrawn?

Q No, sir, this was the one that eventually went to hearing.

A I remember there was one prior to that which we withdrew.

MR. MORRIS: If the Commission please, my cross examination is going to continue for some time. I note the hour of five minutes until 12:00. I would inquire if you wish me to continue



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 125-1112

ALBUQUERQUE, N. M.  
PHONE 243-1691

or resume later.

MR. PORTER: The Hearing will recess for lunch until 1:30.

(Recess taken at five minutes until 12:00.)

(Hearing resumed at 1:30 p.m.)

MR. PORTER: The Hearing will come to order, please. Mr. Morris, will you proceed with your cross examination of the witness, please?

CONTINUED CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Jones, with respect to Case No. 2453, I believe that you testified that you made several efforts, reasonable efforts, to contact the Brimhalls and to secure their agreement to either communitize the land or to obtain a lease from them?

A In my opinion, I thought my efforts and proposals were reasonable. The Brimhalls did not.

Q What was your latest offer to the Brimhalls?

A To lease, I offered them \$100 an acre and, I believe, 17½ percent royalty.

Q And they refused?

A Yes.

Q Do you have the latest address of the Brimhalls?

A I can get it for you.

Q Would you furnish that with the other information that we have asked for?





DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-6391

A Yes. Let me see if I do have it here in my files. I will supply it to you.

Q Now, are the Brimhalls the only non-consenting interest owners in the East half of 7,30,11?

A Yes, I would say there is some question that they may be non-consenting, because we have a lease from the Brimhalls which we acquired from a Mr. Juan Moya. Mr. Moya contends that he has a valid and subsistent lease. To prevent any quarrels, I attempted to lease all the land from the other parties and I was successful from all the parties except the Brimhalls.

Q So, it is the position of Southwest that they are the owner of the entire acreage except for twenty acres?

A For the purpose of this force pooling order, we do not feel that we should be forced to elect as to which lease we are claiming.

MR. VERITY: The address of Harold M. and Maleta Y. Brimhall is 6545 North First Place, Phoenix, Arizona.

Q (by Mr. Morris) Mr. Jones, has a Dakota well been drilled in the East half of Section 7?

A Yes, sir.

Q What well is that?

A That should be the Ruby Jones No. 1, I suppose.

Q Where is that well located?

A It would be in the Northeast quarter of the section, probably the Southeast Northeast.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1167

ALBUQUERQUE, N. M.  
PHONE 243-6641

MR. MORRIS: I will ask the Commission to take administrative notice of their well file on Southwest Production Company's Ruby Jones Well No. 1.

MR. PORTER: The Commission will take administrative notice of that.

Q (by Mr. Morris) I hand you the C-105 form, the well record of the Ruby Jones Well No. 1. Is that the instrument you have in your hand?

A Yes, sir.

Q I hand you the well location and acreage dedication form C-128 on this well. Referring to those instruments, first, the well record, would you state upon what date that well was commenced?

A The well was commenced on June 22, 1961.

Q What was the date of completion?

A It was completed July 7, 1961.

Q Referring to form C-128, the acreage dedication plat, would you state when that form was filed with the Commission and by whom it was prepared?

A It was filed on June 21, 1961, signed by George L. Hoffman, production foreman.

Q Now, in response to Question No. 1 on that form, "Is the operator the only owner of the dedicated acreage outlined on the plat below," what is the answer to that question?

A The answer is, "Yes."



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6661

Q What acreage is outlined on the plat?

A The entire East 320 acres.

Q Could you explain this discrepancy?

A I don't know that there is any discrepancy. As I said, we have the lease covering the entire Southeast quarter, which we obtained from Juan Moya, which he contends is a valid oil and gas lease. Inasmuch as certain of the land owners have challenged it, I went out and attempted to obtain new leases from each of these. Southwest felt they would rather take another lease and pay the parties to be involved than to be involved in any litigation in the matter. We do have leases which cover the entire 320 acres, and the parties who signed the leases to us covering the Southeast quarter contend that they are valid and subsisting oil and gas leases. I am not prepared as a judge to say that Juan is wrong, that his leases are not valid and subsisting, because they may be.

Q Mr. Jones, are you familiar with the Commission's order No. R4991, entered on June 8, 1961, in Case No. 2288, being the application of Southwest Production Company for non-standard gas production unit in the East half of Section 7, Township 30 North, Range 11 West, excepting a 30-acre tract owned by the Brimhalls?

A Yes, sir.

Q That order established a 300-acre non-standard unit, did it not?

A Yes.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325.1182

ALBUQUERQUE, N. M.  
PHONE 243 6691

Q Now, that order having been entered on June 8, what did you say the date of that C-128 was?

A The C-128 is June 21.

Q So, that was some time after the 300-acre unit had been established, was it not?

A Yes.

Q Which would indicate that the production foreman did not check with anyone as to what acreage was to be dedicated?

A It would appear so.

Q In all four of the cases that are here for consideration, it would appear that a full inquiry had not been made before the C-128 had been filed?

A I don't believe that is necessarily true. In the East half of Section 22, the only lands, at the time the notice was filed, that were not under lease to us were those held by Mr. Mallett and Mr. Coffey, and we supposedly had an agreement with Mr. Mallett and Coffey at that time, so that we should have been able to dedicate the 320 acres. As to the East half of 14, as I explained to you, we did have oil and gas leases from an individual which purported to cover those lands. It was not until after I had made investigations into the matter that we decided the lease was probably void.

Q Referring back, now, to the Ruby Jones Well No. 1, is it your information that that well has been drilled and completed and tested and found productive in the Dakota formation?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-6291

A Yes, sir.

C Are you familiar with the date upon which the Southwest Production Company first applied for force pooling of the East half of Section 7 in the Dakota formation?

A No.

MR. MORRIS: If the Commission please, the records of the Commission will show that the application for pooling in this, of all interest in the East half of this Section 7 was filed with the Commission on November 14, 1961. Also, if the Commission please, some discussion was entered into this morning concerning an application that had been filed and withdrawn. I have that information available at this time. Mr. Jones, correct me if I am wrong. For the Commission's information, the only three previous pooling cases that were filed concerning the East half of Section 22, Township 30 North, Range 12 West, which would involve Cases 2416 and 2446, that application was filed on August 14, and in Case 2318, Order 8-2068, the Commission entered its order there on September 29, 1961, denying the application for compulsory pooling. That application was only with respect to the Dakota formation. So, what I said previously was an error. It would not have any relationship to Case 2416, which relates to the Mesaverde, but would have relation only on Case 2446.

MR. VERLIER: I might inquire if counsel recalls in that instance, although the application was denied as to what was left, prior to the case being heard, it was dismissed as to the parties,



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243 6691

Coffey and Millett, I believe you should have a telegram in your file where we sent a telegram saying we would dismiss it as to those parties.

MR. MORRIS: In Case 2300, filed with the Commission, it was the application by Southwest Production Company for a non-standard unit in the East half of Section 22 and it was not a pooling application. That was the application which was withdrawn.

MR. VERITT: I stand corrected. I believe that is correct. I thought it was force pooling. We ask that these two parties' property be set aside to form a non-standard unit without them.

MR. MORRIS: That is correct. The request was excluding a thirteen-acre and twenty-acre tract in the East half of Section 22, belonging to Millett and Coffey, interest and Pan American. I do not know what interest Pan American had, but it was listed as one of the owners.

Q (by Mr. Morris) Mr. Jones, let's talk a minute about supervision. In your experience in the oil business, what do you commonly understand the word "supervision" to mean?

A I believe it would be the man who goes out and checks the wells and the people who keep the records and such.

Q Would it also include the overhead expenses in the actual drilling of the well?

A No.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325.1112

ALBUQUERQUE, N. M.  
PHONE 243 6691

Q What would be part of the well cost itself, is that correct?

A That is the way I have treated it.

MR. TERRY: I wonder if I may interpose here. It might save everybody some trouble. With respect to supervision, Southwest Production Company is only requesting here ten percent as supervision charges, ten percent of the total of drilling and completion. In other words, we are only asking for the minimum rather than anything further. Do I make myself clear?

MR. MORRIS: Ten percent of the well cost of drilling and completion for its supervision during the period of its life. Continuing along the same line, Mr. Jones, do you feel that setting a cost for supervision based upon a percentage of what the well cost is a reasonable way of arriving at the cost of supervision?

A I believe so; as I have explained before, we arrived at this percentage system through the system of Shell's bookkeeping, which, over thousands of wells, has arrived at these figures. Of course, they will be dependent upon the type of well and such things as that, but I believe that is a good way, but I see no reason why Southwest wouldn't be willing to go along with actual cost if you wanted to assess the actual cost of supervision plus a certain cost for bookkeeping that would be necessitated.

Q Mr. Jones, what would you say would be the actual cost of operating a well on a roughly basis?



A I don't have any idea. You would have the cost of your employees, plus his equipment which you would have to depreciate and prorate over a period of years. If you had just one well and had to hire a man to supervise just one well, I would imagine that your cost would be several hundred dollars a month.

Q One way of assessing the cost for these operating costs and supervision, one way of assessing those costs would be to take a percentage of production attributable to various interests rather than a percentage of well costs attributable to the interest?

A I suppose so, I don't know. That would be -- I should think it might be unfair in that manner because if you had an extremely lush well your percentage of that production might be considerably in excess of your cost, or on the other hand, if you had a marginal well, it might be less.

Q Now, when we are talking about operating costs over the life of the well, what items is it, what elements of those costs; is it the salary of the pumpjack?

A That would be one.

Q The switcher?

A Right. His conveyance, his mode of conveyance would be another.

Q Would you also make a charge for the maintaining of the district office of the company?

A No, that is overhead.





DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691

Q That would be overhead?

A Yes.

Q Going back to the items that you might include within your well costs, that would be related to overhead, what items would you include in that? Salaries of the geologists and engineers?

A Yes.

Q Costs of maintaining your district office?

A Yes.

Q Over how long a time?

A For the life of the well.

Q Well, you do not know how long the life of the well is going to be?

A No.

Q So, how are you going to arrive at the well cost?

A That is rather difficult. That is why certain costs percentage is more equitable rather than the other type, where we state \$50, \$60, or \$100 a well per month.

Q Included as part of well cost, do you include any charge for interest?

A No, I think possibly in the instance of force pooling that interest should be permitted, but the statute does not so provide; so, we have not included any such item.

Q In the well cost that Southwest Production Company has submitted, in respect to the four wells involved in these hearings,



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1152ALBUQUERQUE, N. M.  
PHONE 243 669

what have been the elements of overhead which have been included in those?

A I haven't really studied the billings that have been presented to you. I don't know if they had any on there. Those were the actual cost, I believe, that was incurred from the actual drilling and supplies that have been used in the drilling of the well. I don't recall that they did include any item of overhead.

Q I don't recall either, Mr. Jones; that is what I am wondering about. In order for the Commission to enter an order and make a definite provision with respect to payment of well cost by the non-consenting owners, they are going to have to arrive at some final and definite figure on which to base the proportionate charges to be made and my question is, if you have continuing charge for overhead, how are you going to ever arrive at a definite figure?

A It will be very difficult.

Q Do you have any suggestions to make?

A We could -- there are two ways to go: First, we could arbitrarily set a sum for overhead, which is normally done in your operating agreement; or second, you could go on simply on the basis of the well cost submitted to you by Southwest, because you have requested that they submit you a statement of well costs.

Q Mr. Jones, in dividing up the proceeds from production that comes from a particular well, am I correct in saying that you would take the gross amount, take off your royalty interest



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1142

ALBUQUERQUE, N. M.  
PHONE 243-6631

from the cost and then deduct your taxes, or do you deduct your taxes first?

A What is it you are trying to determine?

Q I am trying to determine how the breakdown on the proceeds from production are distributed.

A Well, your division order generally provides that the party will pay taxes. So, you would then -- or their share of the taxes, at any rate. So, you would deduct from that the royalty and any tax charge that would be attributable to the working interest of the other parties.

Q Now, is it not also a common practice to deduct your operating and handling expenses before you make a distribution to the working interests?

A Certainly those would be against --

Q This is done customarily regardless of the expressed provision of the pooling order, is it not?

A I don't know about that. I should think it would have to be in line with the contract between the parties.

Q I am talking about the situation where we have a non-consenting interest.

A I don't know, we haven't distributed any proceeds yet. I should say, offhand, that would not be done. I should say the distributing would be in conformance with the Commission's order.

Q In order to make such a distribution, you are going to have to know the exact share of non-consenting interests, are you



not?

A If there are non-consenting owners.

Q If the Southwest Production Company does not know the exact amount to be distributed to a non-consenting interest, Mr. Coffey, for example, if the Commission does not spell out in its order, upon what basis are you going to make that?

A We would require Mr. Coffey to submit abstracts to us which will determine the interest in the land he has.

MR. VERITY: I wonder if I might interpose in the response at this point. The situation of Mr. Coffey, if this Commission force pools, will not be any different from any of the other parties who are entitled to be paid for production from the unit in question. Each and every person must satisfy the party who is charged with making the payment, that he is entitled to receive the money that is to be paid to him. Now, if by any reason, the party who is making the payment, either the pipeline company, if they make it, or in the case of gas wells, sometimes the operators make it, this party must know that persons to whom he pays the money is entitled to receive it. If he makes a mistake in that regard, the penalty he has is he has got to pay the other man who is entitled to receive it. The determination in this regard, with regard to any party who is force pooled, will not be any different from the royalty owners, the working interest in it. They will have to show the evidence of their ownership.

(by Mr. Harris) Mr. Jones, proceeding on what Mr.



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112ALBUQUERQUE, N. M.  
PHONE 243-6611

Verity has just sold, who holds the money in the meantime, if it is not distributed, subject to some determination to who owns what?

A: Well, I don't know that there has been any sums paid out. Getting specifically down to Mr. Coffey's situation, there have been none paid, but I would imagine, otherwise, if there had been, Southwest would be in a position of stake holder.

Q: It would be possible to escrow those funds, would it not, or pay them into the Court jurisdiction, subject to determination of interest?

A: I would imagine, if we can arrive at some basic figure for Mr. Coffey's interest, which varies considerably, there are a number of considerable differences in opinion as to what Mr. Coffey owns.

Q: Now, if you are willing to pay him on the basis of ten acres and he claims sixteen, would you go ahead and pay him on the basis of ten and let the remaining and questioned proceeds that would be attributable to the questionable six acres?

A: I would say, firsthand, -- I have not discussed this with Southwest Production Company. We will want Mr. Coffey's abstracts verified to current date, because he has been about busily buying quite a few acres from people who may have or may not have the neighboring lands. We will want the abstracts verified to present day as to his titles. We will go on that -- we are willing to pay on the basis of the examining attorney's verification as to what he has valid title to. If he challenges that position, then we



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1152ALBUQUERQUE, N. M.  
PHONE 213 6091

may have to file a suit in Federal Court and then parties whose interests might be involved.

Q It might well involve some sort of court action, might it not, something in the nature of an interpleader event?

A It might.

Q Along the same line, Mr. Jones, in cases and instances such as we are going to hear of Abas Hassan, what is going to happen to proceeds that would be attributable to his interest? Are you going to hold them forever?

A I have discussed that with Southwest. They are agreeable to paying those into Court or, if you should prefer, to designate a financial institution; they would be willing to pay them to any such institution that you might determine.

Q An escrow arrangement, is that what you mean?

A If that is what you have in mind. They do not claim any of the share. They are perfectly willing to dispose of it or to his credit in accordance with your instructions.

Q Mr. Jones, with regard to the risk involved in drilling the wells to which you have testified, now, from the data that we have already, that is already in the record concerning when the wells were drilled, when they were completed, when the application for pooling was filed, and so forth, is it not true that the applications for the Commission for compulsory pooling were, in each case, filed after the well had been drilled, completed, and capable of production from the given formation?



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1162ALBUQUERQUE, N. M.  
PHONE 243 6691

A I believe that is true.

Q Would you say that by drilling the well prior to coming to the Commission to obtain pooling orders, that Southwest Production Company had already assumed all of the risk?

A Not all of it on the basis, as I broke the risk down earlier, into three component parts. I believe that is probably a fair analysis of the elements of risk: the drilling and completing of that well had disproved two of the elements at least. It shows you were lucky enough to hit, first the Dakota formation, and secondly, not to have lost your well during the course of drilling of said well. It does not, in my opinion, disprove the fact that the risk of those two elements in fact existed at the time you commenced the well.

Q Southwest Production Company was not assured of obtaining a pooling order from the Commission, was it, or what the provisions in the order might have been?

A No.

Q So, at the time they entered into the drilling of the well, there was no assurance that pooling orders would ever be in effect?

A That's right.

Q Therefore, Southwest Production Company was, by the very nature of things, assuming a risk?

A Yes, a fair amount of risk.

MR. MORRIS: I believe that is all.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1152

ALBUQUERQUE, N. M.  
PHONE 243-6691

BY MR. MEYER:

Q Mr. Jones, I am going to ask you a series of questions relative to supervision of these wells. Now, your well file which you filed with the Commission consisted of these, say, all four of them, contain certain supervised salaries as to drilling and completion of the wells. Some engineers' salaries were on there, some foremen's salaries and so forth?

A I believe that would fall within the category of overhead. I didn't know.

Q It was included in well costs.

A That would normally be true.

Q You would ask for ten percent of the original cost for supervision of wells throughout the life?

A Yes, sir.

Q You would, in effect, have ten percent supervisory cost to add in as supervision in the future?

A Yes, because that direct cost, that direct drilling of the well, the salaries you entered into, those salaries are people whom you use to determine whether or not to drill and where to drill and in what manner to drill and how to complete your well. I believe they are properly chargeable as to part of the cost of the well itself.

Q Now, did I understand you correctly or did I interpret





What you said is correct in that it is your opinion that this ten percent, which Southwest has requested here, the ten percent of the original well cost, is actually an arbitrary figure without any real basis.

A It has a basis in the fact that over thousands of wells, certain of the companies on the West Coast, mainly companies on the West Coast, not in this area but on the West Coast, have worked out percentage factors for these items on the basis of that it will more truly represent the actual cost to the company than the manner in which it is handled in this area, on that form of accounting, rather than arbitrarily setting a figure for so many dollars per well each month. Those companies, in some instances, have excessive and, in most instances, will not be the true cost of supervising the well.

Q Mr. Jones, why does it either have to be percentage of the well cost or a flat fixed cost; why can't it be the actual operating cost each month deducted from the receipts for sale of gas?

A I would imagine that this practice has grown up as a means of simplifying the accounting procedure of a company, so that they would know there are certain items that will be charged. I do not believe Southwest will have any objection to your giving us the actual cost over the life of the well, if you so desire, except that it will require, I imagine, the introduction of certain accounting practices which they have not, at the present time,

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.  
PHONE 243-6691

FARMINGTON, N. M.  
PHONE 325-1182



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243 6691

instituted.

Q Southwest will sell some gas each month from a well; say they receive \$1,000 for sale of gas from the well for that month; what would be deducted from the \$1,000 before the distribution to the parties who own an interest in the well?

A The royalty, the taxes, and in the instances of operating agreements, the costs that are permitted under that operating agreement.

Q Well, are you talking about voluntary operating agreements?

A Yes.

Q Well, assume the case where you have Southwest Production Company owning all of the acreage except some acreage which would be force pooled. Say they own 300 acres and force pooled twenty acres. There is no operating agreement in connection with this twenty acres. You receive this \$1,000 a month gross, you deduct royalty and taxes?

A Plus whatever your order specifies that we will take, which would be the cost that those persons share of the cost of the well, plus the risk factor, plus the cost of supervision as determined by the Commission.

Q And you could not take any operating costs off, whatsoever?

A Yes. The operating costs will be chargeable to the working interest. Now, Southwest charges will be taken off, out



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691

that will be part of the working interest of the well owned by the working interest owner. That is all we are attempting to do is to determine what percentage or what figure the working interest owner should have.

Q Now, the working interest owner, by that you mean Southwest Production Company with its 300 acres in the unit?

A Plus the other parties, but Southwest, owning and operating a series of wells, would not break it down as to that individual well. The cost of supervision, their man who is supervising the wells, would of course supervise several wells or -- I mean, he would not just supervise one well. I doubt very much if that would be practical. I think that is the reason this practice has grown of either setting an arbitrary figure of so many dollars or, as on the West Coast, attempting to relate to percentage of your cost of drilling and completing the well.

Q Well, now, in other words, Southwest owns 300 acres in the unit. Parties who are force pooled own 20 acre units. From the \$1,000 gross money you receive for sale of gas, you are deducting the royalty, your cost, and taxes?

A Right.

Q You are going to deduct the operating cost to the working owner; you are going to take off part of the operating cost, then you are going to take off part of the original ten percent as interest?

A Yes, the operating cost that can be deducted that the



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6091

Commission later when we can charge.

Q In other words, you are going to distribute the gross profits from the well, less the tax and royalty?

A And the royalties, the cost that you permit us to pay.

Q Yes, I understand that. You stated that this twenty-five to thirty-five percent that was arrived at by one company as being a supervision cost. Now, that was based on the original cost of the well, correct?

A Yes, sir.

Q Was that on a well that had a short life or long life or a short-lived oil well or a long-lived gas well?

A These are on gas wells, especially the higher figures of 35 percent, is on gas wells, where you have extensive facilities to handle the gas and any of liquid produced.

Q You say the 25 or 35 percent was based on California figures, is that correct?

A Yes.

Q Now, where you have a voluntary agreement where there may be a penalty of 100 percent or 200 percent for not paying their share of the cost in the well in advance, I think Mr. Morris covered this, but I will ask you again just in case. Is there ever any interest in addition to that 100 or 200 percent penalty?

A No.

Q No, by virtue of the voluntary agreement, it may be a gentlemen's agreement that this includes some interest?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.  
PHONE 2-3-6691

FARMINGTON, N. M.  
PHONE 325-1182

any interest figure. There are interest provisions, of course, in your operating agreement. If any of the parties fail to pay the sum advanced to them within a certain time, then those sums may be interest. Generally it is set at six percent per annum. On the risk factor, we just set a flat risk factor of 100, 200, or whatever it might be, to compensate you for having advanced your money, and it would repay you for having taken the risk. Also, for interest which you might have accumulated on your money during a period of repayments. That would be one of the items which you would be reimbursed for out of that factor of the risk.

Q Would it be your opinion, Mr. Jones, that the legislature in establishing this force pooling rule and limiting risk to 50 percent, was contemplating the case where you might have all three elements of risk which you have enumerated, present?

A Well, of course, I haven't studied the legislative history of the act, so I do not know what, exactly, they did have in mind.

Q They were contemplating the condition where the well had not been drilled?

A I believe that is so, as I recall, you can force pool at any time, either before the well has been drilled or after and the risk factor, in the 50 percent, may be gained. So, it would appear to me that that is one of what I choose to call the three elements of risk, in one or three of them.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243 6651

Q That is the only place where all three elements would be present and you have the third one present at this time?

A I believe so.

MR. MUTTER: That is all.

MR. PORTER: Does anyone else have a question of this witness?

MR. VERITY: I have a few questions.

REDIRECT EXAMINATION

BY MR. VERITY:

Q Mr. Jones, do you perceive any difference in the supervision of a well in California and in San Juan County?

A I would imagine it would be greater here in San Juan County than in California. You have greater distances and have more wild country to cover than it is generally true in California. Also, I would say from my experiences I have had in the past two weeks of trying to get off the highway, you also have a greater risk of tearing up automobile equipment.

Q Mr. Jones, do you have any way of knowing or ascertaining for certain who the heirs of Abu Hassan and D. M. Longstreet are?

A I have been able to contact only the ones I referred to. I do not believe that I could determine, even if I were able to contact them, I don't know if I could be able to determine who his heirs were.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-6691

william.

MR. MORRIS: I don't care whether I go first or last.

MR. VERITY: I have not been told I had finished with my evidence. I have some exhibits I would like to introduce if there are no objections, from the Examiner hearing, merely the exhibits that were introduced there. I believe they might be helpful. I would like to introduce those in this case. With that, I am through with my evidence.

MR. FORBES: Are there any further questions of this witness? You may be excused.

(Witness excused.)

Are there any objections to the introduction of the exhibits from the Examiner hearing?

MR. MORRIS: If the Commission please, in order to introduce these exhibits, I think he should identify them, who prepared them and what they are, because otherwise we would have to refer to some of the testimony in the prior case.

MR. VERITY: Can we stipulate to that?

MR. MORRIS: Yes, I would stipulate with you on that.

MR. VERITY: I think the exhibits will speak for themselves as to what they are.

MR. MORRIS: Do you feel a stipulation will take care of who prepared them or were they just maps?

MR. VERITY: The only thing I was referring to is plats



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMING OIL, N. M.  
PHONE 325-1162ALBUQUERQUE, N. M.  
PHONE 243 6691

of the bill is... I think it is really... were prepared by Mr. Jones.

MR. JONES: The bill was prepared by me or under my supervision.

MR. MEIER: I will accept that.

MR. BERRY: The exhibits will be made part of the record.

MR. BERRY: If the Commission please, I would like to make a statement, if Mr. Meier has no objection to me going first.

MR. MEIER: That is fine.

MR. BERRY: I think in these cases the Commission should be fully aware of the problems they are being called upon to decide, perhaps for the first time, since we have been operating under the new compulsory pooling law that was adopted by the 1960 - 61 legislation. One of the problems that has been expressed here today, which is obvious, is just what interest the Commission should pool and how the pooling order should effect the pooling of those interests. In order to come to a solution to that problem, I think that we should carefully read the provisions of the pooling law. First, I would like to point out that I think that the Commission must find satisfactory jurisdictional fact before it has the power to enter a pooling order, that the interests being pooled, the non-consenting interests being pooled, have not agreed upon pooling. Now, this would seem to





## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325.1192ALBUQUERQUE, N. M.  
PHONE 243.6691

be an order. I think the Commission should be brought to the attention of the fact that have not agreed, but I think the Commission, in its indulgence, I would read from the first paragraph of the order: "Where there are various owners within a related unit, they may validly agree to pool their interests. Where, however, such owner or owners have not agreed to pool their interests, and so forth, the Commission has the right to pool them. The wording there of 'not agreed to pool' I think, has the contention that some effort has been made to secure an agreement of those non-consenting interests before pooling can be ordered by the Commission. I think that the Commission should realize that the power given to it by this force pooling law is an extraordinary power and should be exercised with some caution. Proceeding on that premise, I think that the reasonable interpretation of the law and the phrases that I have just read, would require the Commission to inquire in every case as to what efforts have been made to secure the voluntary agreement of all interests, all non-consenting interests that are being pooled by virtue of their order, any order that the Commission might enter. I think that the Commission, as I said before, I think, first, that the Commission has to find a satisfactory jurisdictional fact that some effort has been made to secure an agreement of those people before it has the power to pool them.

Now, in some instances, there are interests which are known, and you cannot ignore them. In other instances, there are--



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. H.  
PHONE 325-1112ALBUQUERQUE, N. M.  
PHONE 243 0031

you may not want that a particular unknown party may have, but if this is a reasonable interpretation of the law would be that the Commission should pool interests where the owner has first, as in the case of the owner, where the owner has offered reasonable terms to lease or communitize, and that particular interest has refused. I think the Commission can also pool an interest where the owner has refused of the interests whereabouts are unknown and reasonable efforts have been made to locate such a person. This is a common occurrence, where you have unknown heirs. For instance, I think that the Commission can validly pool interests where the owners, unidentified, are unknown after a diligent search has been made, because, in all of these cases, all you are asking of the operator who wants to bring the pooling act, is that he has made every reasonable effort to find the person in order to offer him a chance to lease his acreage or communitize it in these categories. Where the owners have not agreed, I think the provisions of the statutes are plain. However, I believe that the Commission should not pool interests where by their very nature, because of some doubt as to whether they are an interest, they are just a claimant in the acreage involved; then the Commission should not pool these interests, because by the very nature, no owner has been given to these interests to agree. As I said before, I think the Commission must, as to each interest, find that it has not agreed.

ing, particularly where charges for supervision and risk



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243-6691

are to be paid, and I think it is fair to say that we are not going to pool any interest which has not been given a clear cut opportunity to join on a voluntary basis. Now, one of the questions that the Commission is going to be asked to decide is what the pooling order is going to read, whether the order is going to pool all interests within the unit, whatever those interests may be, and this is the way it is done in a number of other states that have compulsory pooling laws, or whether the Commission is going to enumerate each non-consenting interest and spell out how much of an interest that person owns and make some definite provision with respect as to how the proceeds from the well are to be distributed to that interest owner. Now, as I said earlier in the day, I think that our compulsory pooling law requires that we do it in the latter manner.

Reading again from the law, it reads: "Such pooling orders of the Commission shall make definite provisions as to any owner, or owners, who elects not to pay his proportionate share in advance for the pro rata reimbursement solely out of production to the parties advancing the cost of development --" and such. As I read that provision of the law, it would require the Commission to spell out the various interests being pooled and specify what share each has and how the proceeds of the well are to be distributed. Now, there is no way he going to act as a jurisdiction of that is the Commission, because in entering an order to pool, the Commission is going to proceed upon the evidence



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-6691

dence that it is a dispute. If the applicant is a party to a dispute, and is the owner of an interest, and that is the basis upon which the Commission will enter its order, providing there is no dispute. If there is a dispute, then the matter has to be resolved in a court of competent jurisdiction, should not be made by the Commission.

We have seen the instant today of such a dispute. Mr. Coffey may claim to have sixteen acres, and Southwest Production Company claims that he only has ten. Now, in a situation like that, I do not know how the Commission can enter any reasonable order without having it proven or proven provided of some sort or paying proceeds attributable to that interest into court to be determined at a later time. But if the Commission can spell out what interests are being pooled, what dispute, if any, there is as to the extension of those various interests and what shall be done with the proceeds attributable to that interest, I think it is upon the Commission to do that, under the provisions of a pooling law.

Now, I would agree with the applicant that it would solve all the problems. For then if we entered an order pooling all mineral interests within the well, because then you do not have to worry about the other side. If you have no proceeds, you just hold the price of the oil and you are producing the oil 300 acres, the all-in-one well, and 1/3 of it to help pay for the well.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.  
PHONE 243-6691

FARMINGTON, N. M.  
PHONE 325-1112

PAGE 10

This report is being prepared for you, and it is expressed  
that the Commission from entering such an opinion.

On the subject of risk in drilling the well,  
it is hard to say whether a problem of risk exists in the  
operator was willing to take the risk when it came to the  
Commission to seek a pooling order, and I strongly believe that  
there can be a wide variance of opinions upon this subject. I  
would state, however, that the proper procedure had been fol-  
lowed in filing the Form 6-143, the notice of intention to drill,  
each of the subjects would have been conditioned upon a pool-  
ing order or upon the completion of a non-standard well before an  
allowable would be assigned to the well and I submit that if pro-  
per forms 6-143 had been filed in this case that we might not  
have this problem at the present time or trying to decide whether  
the risk was going to be assumed or not. If there was any injury  
to it or any loss suffered by the operator, I submit that it may  
well have been caused by its own negligence in filing proper forms  
in this case. In normal cases, I would certainly recommend that  
some risk is always allowed where pooling activity is sought be-  
fore the well is drilled. In this case, however, it is hard to  
say to me for the non-standard well, and I believe that of the  
risk, since the well was drilled, drilled, and com-  
pleted and operated for some time.

I should like to see the other problem to be



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1102ALBUQUERQUE, N. M.  
PHONE 243 6691

cile. But I think that the Commission should be very  
 watchful of the operator's position. The operator  
 should not be in a position where he is forced to pay  
 determining a reasonable amount of charges for the  
 charges so that it will be a reasonable price and will not  
 give an undue advantage to either the operator or the non-  
 consenting interests. In fact, I think that this may be the heart  
 of the whole pooling problem, is arriving at some solution which  
 will encourage drilling, encourage the operator to do a pool-  
 ing act, and yet at the same time be upon such terms that a non-  
 consenting interest will not have an incentive to hold out on the  
 operator. In some cases, it may well be that our pooling orders  
 are unrealistic with respect to the fact that if you give to  
 non-consenting owner. The incentive may be to refuse to lease or  
 give a valid lease. I think the Commission should enter its order  
 realizing this aspect of the case. In the other hand, I believe  
 that the Commission should take a look at the first point that  
 I mentioned in respect to how the interests are to be pooled and  
 what interests should be pooled. It should carefully spell out each  
 interest, whether then pooling all unleased interests or without  
 just pooling all interests within the unit in order to avoid what  
 might well turn out to encourage inefficient leasing practices. If  
 an operator says that he can get pooling orders, pooling all  
 mineral interests, he might be something less than completely  
 diligent, being sure that he has solved all of his title problems



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243 6691

and has signed up all of the unleased interests before he drills his wells because he can come to the Commission and get a pooling order that solves his problems. I think this is one of the risks that the Commission would be interjecting into the pooling situation if it pooled all mineral interests without specifying the various ones.

I believe that is all I have.

MR. PORTER: Thank you. Mr. Verity?

MR. VERITY: May it please the Commission, I will endeavor to be brief, but I do have some things to say and a little law I would like to read to you.

It is difficult for me to understand why all of a sudden we have got all of the force pooling problem. Prior to the time of the last legislation, we had a force pooling statute and the Commission entered orders under the same general law and exactly the same notice with which you now call the pooling applications for hearing. These orders pooled all interests. I need not call the Commission's attention to all of these, but so the record will reflect it, allow me to cite one that I have at hand, which is Order No. R-1880, that was issued a short time before this amendment of the present act. It allows force pooling in 320 acres of gas prorated unit, gives 125 percent of all production that is not leased without reference to names or any particular persons. I would like for Order R-1880 to go into the record. Now, at the session of the last legislature and prior to



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243 6691

that, the oil and gas industry of New Mexico was aware of the fact that there was something about their force pooling statute that was inadequate; specifically these were twofold: One was there was some question and some doubt as to whether or not the force pooling statute of New Mexico was adequate to force pool an undivided interest in a unit as contra-distinguished from a separate parcel within the unit that was off by itself or someone owned all of it. This had never been answered. It had been more or less ignored, but everyone was aware of the fact that the order might be invalid if it force pooled such an interest. The New Mexico force pooling statute made no application whatsoever for a risk factor. At least a portion of the industry felt it should have one. By a committee appointed by the New Mexico Oil and Gas Association studied the question of amending and reworking the force pooling statute. That committee came forth with the present statute that we have, I believe almost word for word, except that it did include a provision that risk would be included as an item of reasonable cost, and that was stricken by the Commission. I happen to know a little about that committee, because I was on it. They went to Oklahoma and picked up the Oklahoma statute, and with it as a model or a norm, we used it to draft the statute that is presently the New Mexico statute. Looking backward, it seemed to me like an intelligent thing to do, but it has caused some confusion. At the time, it seemed like it was well advised, because it was a body of law that interpreted that





DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1152

ALBUQUERQUE, N. M.  
PHONE 243 6591

and made it valid. We also had its many years of experience, or so it seemed to the committee, having that statute applied in Oklahoma. Particularly, I would like to point out to the Commission that a part of the language that seems to cause us trouble at this juncture, particularly the language which says, "where, however, such owner or owners have not agreed to pool their interest, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply --" then you shall force pool. That language is word for word out of the Oklahoma statute. The Oklahoma statute also has got that where they have not agreed to pool, the Commission shall force pool.

I would like to very briefly cite an Oklahoma case which happened. I refer to the Oklahoma Corporation Commission's order which appears in Waksfield vs. State, Oklahoma Supreme Court case reported in 306, P 2D, 305, 1957 and embodied in the decision of the Oklahoma order. It is as follows: "It is therefore ordered by the Corporation Commission", the commission of the state of Oklahoma, "one, that the Texas company be and here is authorized to drill and produce a well, with production of natural gas from the Morle Sands and a common source of supply...", "and that a full allowable of production therefrom, that all persons owning leasehold interests within said space unit shall have the right to participate in the drilling of said well and in production therefrom, upon the proper payment by proportionate shares



completion of the said well. The sum of \$177,000  
 cost of said well." They go on to provide that  
 the payment, they give a lease on the property.  
 law suit and appeal, do you know what the man  
 He was appealing, he was unhappy because the  
 give him the privilege and permission to parti-  
 and to be penalized the 150 percent of the  
 said, "That is a right I ought to have." All  
 here is asking is that it be granted 25 percent.  
 say that is a harsh provision, where they actually  
 from him if he does not pay. In the case of  
 statute, it is watered down. This was the wisdom  
 We do not blame the legislature. This was  
 of the legislature, but we say we should not  
 provisions of the statute because there is language  
 we think we should apply requirements that do not exist.  
 statute has never been interpreted in that way. We  
 think this Commission should so interpret it. I was some-  
 red to read these cases to find there was no Oklahoma case  
 someone had confronted the Commission and said, "I did not  
 actual notice of this hearing of this order and therefore,  
 not valid." But although the Oklahoma statute has now  
 force and effect, I believe fifteen years, this present one,  
 rably in excess of ten years, in spite of this and in spite  
 fact that all of their orders have been interim, wherein they



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691

of the cost and completion of the said well. The sum of \$177,000 is hereby fixed as cost of said well." They go on to provide that if they do not make the payment, they give a lease on the property. In this particular law suit and appeal, do you know what the man was unhappy about? He was appealing, he was unhappy because the Commission did not give him the privilege and permission to participate in the well and to be penalized the 150 percent of the total cost. He said, "That is a right I ought to have." All this application here is asking is that it be granted 125 percent. In Oklahoma, we say that is a harsh provision, where they actually take a lease away from him if he does not pay. In the case of the New Mexico statute, it is watered down. This was the wisdom of the legislature. We do not blame the legislature. This was all that was asked of the legislature, but we say we should not emancipate the provisions of the statute because there is language in which we think we should apply requirements that do not exist. The Oklahoma statute has never been interpreted in that way. We do not think this Commission should so interpret it. I was somewhat amazed to read these cases to find there was no Oklahoma case wherein someone had confronted the Commission and said, "I did not have an actual notice of this hearing of this order and therefore, this is not valid." But although the Oklahoma statute has now been in force and effect, I believe fifteen years, this present one, considerably in excess of ten years; in spite of this and in spite of the fact that all of their orders have been interim, wherein they



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112ALBUQUERQUE, N. M.  
PHONE 243-6691

merely give publication after the application is filed. In spite of this fact, I did not find one situation that had gone to the Supreme Court of Oklahoma. I say the reason for this is that it is not a real problem and it is not a real difficulty and we should not make it one here. Mississippi also has a similar pooling statute to the one that we have here. It is very close to the Oklahoma and New Mexico statutes. Mississippi has not had this particular point exactly before it, but I have found that the state of Louisiana has considered this particular point. If you will, I am talking about whether or not this Commission has a right to enter an order interim or that everyone that owns an interest in a particular interest be given notice of hearing by public notice in Santa Fe County and the land wherein the land lies that is subject to the force pooling action. In this particular case, and I refer to Ohio Oil Company vs. Kennedy, a recent law, 1947, reported in 28 So. Rep. 2nd 504, the matter arose because of the fact that one party had a reserve interest in the minerals of his land. If there was no production of these minerals for a period of ten years, he got them back. If there was production in the ten years, the party owned them throughout the duration of production. The state of Louisiana's Commission entered an order that force pooled these particular lands. It said this ten acres is placed in a unit with the well that is going over on the other 80 acres. That well was drilled and started producing oil and gas within the ten years, but the man who re-



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-6631

served his rights said, "The force pooling order is not valid; therefore, my ten acres is not being produced; therefore, it comes back to me." A party convened for this ten-year term does not get a right to keep it. Among other things, he said, specifically, "the order is not valid because I didn't have notice". What did the law do with regard to it? The Supreme Court said, I quote from this page 507 from the Court session section 5B of the act 157 of 1940, Dart's statute, 4741.15, on the question of notice reads as follows: "No rules, regulation, or order, including change, renewal, or extension thereof shall, in the absence of an emergency, be made by the commissioner under the provisions of this act, except after a public hearing upon at least ten days' notice given in the manner and form as may be prescribed by the Commission . . ." If you will, please, that is exactly what has been done in this case. We have caused notice to be given in the manner that this Commission has prescribed, and I continue to quote from it to show you that notice was given, order No. 35, certified copy of which is annexed to the pleadings, has the following to say on the question of notice: "Pursuant to power delegated to act 157 of the Louisiana Legislature for 1940, following publication of notice of hearing not less than ten days prior to said hearing in the Baton Rouge State Times, the official state journal, and a newspaper of general circulation, published in East Baton Rouge parish, and in the Haynesville News, a newspaper of general circulation published in Claiborne parish . . ." So,



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691

What do we have? We have there an interim notice and publication in two newspapers, the one in the capital of the state, the one where the land lies. They felt that this was good and sufficient notice of all the interest within the drilling unit. The Court said, with regard to this case, that the notice given was good and sufficient and they held that the order was valid and it was drawn in rem to all persons that had any interest within the 80 acres, in spite of the fact that that person did not know about it and did not agree to it.

If the oil and gas industry is going to keep abreast of the times, which it has been doing, it is necessary for the force pooling statute to keep abreast of the conservation methods that are in practice in the state. If we did not have any conservation, we would not have need for force pooling. If you please, if this Commission were not interested in seeing that unnecessary wells were not drilled, then we would have no need for the force pooling statute; but a regulation of the number of wells to be drilled into one common source of supply, into one pool, is a necessary thing for this Commission to consider; and the Commission does consider it and with regard to the Mesaverde-Flora Vista and Basin-Dakota formations, this Commission makes a prorated unit consisting of 320 acres should be one well drilled in it. If we are going to say one well can be drilled in it on divided or undivided interests, they have got to force pool. This is exactly the problem. If we take a congested area like Aztec and much of the area that



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243-6691

is subject to the Basin-Dakota gas pool, you have got a congested situation. You have an extremely legal situation, as evidenced in this case, as demonstrated here today; and it is necessary, if we are not just going to take these areas where we have congestion and draw a circle around them and say they cannot be developed, no one can get any of the gas that underlies it. If we are not going to do that, we must go to a force pooling order that is in line with what we have developed up to this point. Right up to the time that the amended statute came into effect, we did not have any problem with the right of in rem orders. I suggest that there is no problem now. With regard to that, I would like to point out that the Mississippi Court, in the case of Superior Oil vs. Suite, 59 so. 2nd 85, a 1952 Mississippi Supreme Court case, it was suggested to the Court that the order was not valid because they had a clause in it similar to the one that we have here, which said if they had not agreed, then the Commission could enter a spacing order. This appeal suggested that this was not adequate. The appellant said, "I have got to agree, this is a necessity before the Commission could enter its order." And the Court, in this case, interpreting the similar provision said, "This is not necessary. It is evident from the very fact that these parties are here before the Court at this time, that they could not agree." In so ruling, we find this statement by the Court: "Section 10 A and C requires that the parties have not agreed to integrate their interests, and have failed to agree. Clearly,



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243-6691

the board's findings that the parties have not so agreed is correct. The testimony outlined above, the admission of the appellees' and appellants' attorneys, and the fact that this law suit is before this court, makes it manifest that this finding of the board is supported by the overwhelming evidence." We think there is no sinister implication in the phrase "have not agreed."

May it please the Commission, the phrase "have not agreed", you must have tried to agree and have been unable to agree. We think that this record shows clearly that good faith and reasonable effort was made to form a 100 percent unit in this case. The applicant here has contacted everyone that they can contact who has an interest in it. They have a lot of problems with regard to it. If the area is to be developed, there must be attention given to the force pooling statute which allows a party who owns an undivided interest to go ahead and either drill his well or file an act proposing to drill his well and to have every interest in the unit force pooled, the same as is done in Oklahoma under the same language that we have.

Let me turn for a moment to the question of risk, then I want to read you from an Oklahoma case and I am through. I would like to point out specific language of this statute: "where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill, has drilled or proposes to drill a well --", the Commission shall force pool. After we set this up, either the





## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243-6691

person who has drilled or person who proposes to drill has got a right to a force pooling order, we come down and we find out what goes into the force pooling order. "Such pooling order of the Commission shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the pro rata reimbursement solely out of production to the parties advancing the cost of the development and operation which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed 50 percent of the non-consenting working interest owner or owners pro rata share of the cost of drilling and completing the well."

What wells are we talking about? The well that he either has drilled or he proposes to drill, and I submit that the statutes accurately and exactly refer to either situation. I would offer to submit to this Commission that it is undisputed in this case to the effect that there has been a risk run in this case. I submit to you that risk was run when this well was drilled; even though that risk is now passed, it was a risk and it is a part of the cost of that well, just as surely as the cutting of the hole or the placing of the pipe in this well is cost to that well, and it must be borne because the party who drills wells will find he comes up with dry ones even where he



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243-5691

thinks he is going to produce. Whoever drills where he does not think it is going to produce? We have found evidence, undisputed evidence, that risk was run. The statute plainly says that the man who drills a well or proposes to drill a well is entitled to an amount for any risk he has in drilling the well. In addition to that, we have the risk that every oil and gas producer lives with from one day to the next and that is that the production may not go to its end. Now, there is not a lawyer practicing in the oil and gas field that has not had clients go broke because they have miscalculated what the production from a well will be.

Whereas, in San Juan County, and in this case, I hope, the Basin-Dakota and Mesaverde-Flora Vista will go on to their final end of what is the very best that is hoped for it. There is not one of us who is not aware of the fact that two or three or five years from now, it may be a grave disaster. I would cite to this Commission the Totah-Gallup oil pool. When it was prepared for temporary spacing orders on areas, which we wanted to make 80 acres, in spite of that fact, in one year when we came back, if you will recall, the calculations of reserves, during that year, had gone way down hill and they had to be curtailed drastically. This points out and points up what we have submitted to you as a risk factor really and actually is 25 percent and has not yet been known. No one yet knows whether or not we are going to be correct or wrong. We think that a risk has been involved; we think that 25 percent is an absolute base minimum.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243 6691

To close, I would like to read to the Commission, very briefly, some language from the Oklahoma Supreme Court, in the case of Anderson vs. Corporation Commission 327 Pacific Second 69. That is a fairly recent case, 1957. Oklahoma, as I am sure this Commission is aware, pioneered much of the conservation legislation with regard to oil quantities. They have probably done more than any other state and in going into this reason of why force pooling is necessary, I would like to close with this quotation: "Petroleum products have, in less than two generations, become most vital in the life and industry of the entire world. They have, by reason thereof, become probably the most important of natural resources. It was only natural that with the increase in importance and use, the necessity for conservation was recognized. To curtail over-production and waste for the benefit and protection of the general public, restraints had to be placed around the individual's rights to develop and produce beyond the demand or need. The only logical method of restraint, other than limitation of production per well, was the curtailment of drilling by exercise of the lease pool. They evolved the well spacing laws, but with well spacing alone, the object of curtailment was met, although often at the expense of serious inequalities and inequities between the various mineral owners and the lessees. Under such primary restraints, when Ellison (the applicant for forced pooling in the case) drilled a well on the 40 acres on which he owned an interest, Anderson (the non-consenting party) would have



no rights whatever therein, his ownership being of an interest in an adjoining 40 acres. Thus, consideration of the correlative rights of such owners and lessees became a necessary part of the legislation. The results of the acts authorizing unitization and pooling in each common source of supply in order that the exercise of the police power in the conservation of natural resources would not affect too serious an unbalancing of correlative rights."

Anderson, in this case, was unhappy again because he did not have the right to participate in it and pay 150 percent. We have only asked 125 percent and in saying that Anderson had the right to his force pooling under the force pooling act of the Commission of Oklahoma. After that introduction, they said that the order complained of did not constitute a taking of property of Anderson in any way. It granted him the right to participate in the production from the well on Ellison's property, but on condition that certain requirements were met.

I want to say in this case that if there is any party, even at this juncture, who within a reasonable period of time from this date or from the date of the order that the Commission issues, say within thirty days as a reasonable time, desires to come in and pay their part of the cost, Southwest Production Company will be very happy to take it and will be satisfied, irrespective of the fact that they have incurred an run risk in drilling of those wells, and so we would have no objection to this Commission entering an order which finds the cost of drilling and completing the

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243 600

well and says to the non-consenting owners, "You will pay 125 percent plus supervision out of production or pay your cost in cash within a reasonable period of time from this order." We think this Commission, if we are to have orderly development and protect the correlative rights of everyone who is in a unit, must enforce the statute with the force pooling order.

One more thing: There is not a thing in the application of one force pooling order. It is not a thing in the world but another instrument in the record of the title of the particular tract of land that is to be considered by the party who is going to drill to say who is going to be paid and can be given its consideration right along with any other kind of instrument. This does not create a problem unless we make one.

That is all I have.

MR. PORTER: Mr. Verity, you made reference to an Oklahoma order, in fact you read from it. Do you know whether or not that order covers an existing well, one that has already been drilled?

MR. VERITY: I am not certain whether that well had been drilled or not; I don't believe it had, though, because it made provision for a bond to pay instead of cash.

MR. PORTER: In your associate practice before the Oklahoma Commission, have you ever known them to make allowances for risk for a well that has already been drilled?

MR. VERITY: Yes, sir, I believe that I certainly have,



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243 6011

because you can force pool one that has already been drilled in Oklahoma the same as you can one that is proposed to be drilled. When you do so, they could do one of two things: If it is someone in the oil industry, they will give them the alternative of either paying their share of the cost of the well in cash or they will require them to give a lease and a bond, using a figure which they will set. If it is someone not in the oil industry, they will give them three alternatives. One is the 150 percent and I believe they do that on wells that have already been drilled as well as one that has not. If you are not in the oil industry, you can get 150 percent. If you are like Mr. Anderson, you have got to pay or give up your interest.

MR. PORTER: Does anyone else have anything to offer in this case?

MR. MORRIS: Yes, sir, I have a statement to read into the record on behalf of Mr. Coffey:

"As the owner of fifteen acres of land and minerals in the East half of Section 22, Township 30 North, Range 12 West, I have an interest that is directly affected by any order entered by the Oil Conservation Commission in Cases Nos. 2416 and 2446.

"In general, I am in favor of continuing the orders already entered by the Commission pooling interests in the East half of Section 22. The provisions of Order No. R-2151 and Order No. R-2068-A seem to me to be reasonable, and the application of Southwest Production Company for modification of these



orders should be denied.

"Specifically, I am opposed to allowing Southwest Production to recover 125% of their drilling costs, or allowing a 25% additional recovery on account of any risks incurred in drilling the wells involved here. They placed their own value on this risk factor when they drilled without any assurance of contribution from anyone else, and solely on the basis of what they owned in the way of mineral working interest in the half section. Having already drilled their well, there certainly isn't any risk for which they should be compensated at this time. The risks involved in drilling a well are at best, speculative. Once the well has been drilled, they can be determined, and in this case the risk assumed turned out to be no risk at all. For this reason the driller cannot be entitled to any compensation.

"The applicant also asks for 10% of 7/8ths of the production from these wells from inception of production to depletion for supervision charges.

"Admittedly, the operator is entitled to fair price for his services, but a 10% charge for supervision is on its face so excessive as to be beyond all reason. The original allowance made by the Commission in 1938 Orders No. R-2151, and R-2668-A was ample for this purpose and should be continued in effect.

"In no case should the operator of these wells be allowed to recover any of its costs or charges out of the 1/8th royalty interest that the Commission, as a matter of policy, has

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1162

ALBUQUERQUE, N. M.  
PHONE 243-6191



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243 6691

always reserved to the land owner.

"Since this property is being pooled against the will of some of the land-owners in the area, provision should be made in any order entered by the Commission to insure compensation for any surface damage occasioned to the land involved, and the operator should be prevented from locating its equipment, tanks, etc., near residences and outbuildings of the land-owners.

"In the event there is a change in the spacing provisions of the Commission in the Flora Vista-Mesaverde Gas Pool and the Basin-Dakota Gas Pool, provision should be made in the order of the Commission to insure equitable sharing of production by those whose lands have been pooled as a result of the Commission's orders.

"Your consideration of this will be appreciated."

MR. MORRIS: Mr. Coffey, are you in the room?

MR. COFFEY: Yes, sir.

MR. MORRIS: Have you heard the statement that I just read?

MR. COFFEY: Yes, sir.

MR. MORRIS: Is that your statement?

MR. COFFEY: Yes, sir.

MR. SELINGER: I again wish to approach the Commission as a friend. We are not concerned with the four cases immediately under consideration. We have no interest in that at all, but one of the factors brought out by the Commission's attorney is of deep





## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325.1182ALBUQUERQUE, N. M.  
PHONE 243.6691

concern to me, as well as the majority of the oil industry. That was the point that every pooling order issued by this Commission should specifically indicate by name the interest and specify cost of sharing by a specific amount rather than the general accepted tradition throughout the oil business, in the twenty-four states that have pooling provisions, in which all interests are pooled without specifically naming them. Incidentally, Oklahoma's well spacing act was adopted in 1935 and the Patterson vs. Stanley case arose from that, immediately thereafter. That was the first pooling provision in the oil business, in answer to a pooling provision by the statute. Therefore, I wish to direct my remarks solely to that one point; as the necessity for the New Mexico Oil Conservation Commission of laying down a ruling or procedure, you are requiring all those matters which the Commission's attorney went into at great length. All other factors will be covered by written statement or probably by the New Mexico Oil & Gas Association when it meets.

What that implies, that is the specific naming of interests by name, various costs and amounts and so forth, implies that, as a matter of fact, the very question preceding your jurisdictional question, that before you can drill, every single interest in a drilling unit must be, beyond any doubt, be resolved to, not only your satisfaction but to everybody's satisfaction. I doubt whether any drilling unit established by any state goes that far, because it is impossible to have title on each and every



tract. In Oklahoma, for example, it goes back to the Indian titles. We have Congressional legislation on that from time to time.

If what Mr. Morris says, that he thinks the Commission should do as a matter of jurisdiction, if what he says is to be done, then your statute should be like it was written in Nebraska, what was written in Utah, and what was written in Wyoming. You must have a refusal first, as a matter of jurisdiction; but that is not what your New Mexico statute says where there has been no agreement, no specific reason why there is not any agreement but where there is no agreement. Well, that is the way the terminology reads in Nevada, Oklahoma, Florida, as well as in this state.

Now, the vast majority of the twenty-four states requiring pooling use the general language, in the event pooling is required, they leave it up to the boards and commissions to determine what their own particular requirements should be. Two states have no provision as to pooling; they just say that regulatory action shall have the right to pool, and that is all they say.

Now, in all of this, let us remember that you gentlemen act as the New Mexico Oil Conservation Commission. Let us not forget your powers and duties flow from one thing: Conservation, the drilling and production of oil and gas; that is your primary objective; that is your sole foundation for all this big setup in this state. But in other states, if you do not watch out, you are going to flange out like the great white father in Washington,

DEARNLEY-MEYER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243-6591

flange out on side issues on pooling in connection with well spacing. As a matter of fact, this provision, Section 653-14, has to do with well spacing and drilling.

So, in all this argument, let us remember we are only talking about drilling and producing wells. We are not talking about cost and things like that. That is only something implemental to your authority to establish drilling and well spacing units. That is all this pooling comes up, about, just drilling and spacing and drilling and producing of wells. That is your foundation.

Now, if we are to track down the title of every minute interest in the drilling and spacing units, the oil and the gas will fairly well be drained out from under us. Our concern is that by the time you get through with all these side issues, you will have forgotten your primary jurisdiction, your primary duty. You will have done a wrong, not only to the operator, but also to the oil royalty owners because they are going to be drained from under before you can shake a stick, if you get involved in too many issues that you forget your primary duty of drilling and producing.

Now, it was pointed out that the basis for the necessity of specifically mentioning the names and the addresses and interest and the cost and all those minute details is formed by one sentence in the statute: Such pooling order of the Commission shall make definite provisions as to any owner, or owners, who elects not



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1142

ALBUQUERQUE, N. M.  
PHONE 243-6651

to pay his proportionate share in advance for the pro rata reimbursement." I will tell you how it has been solved in other states; I can explain to you why that was put in here, the exact copying the provision from other states.

Twenty-two years ago we had a matter in Oklahoma which resulted in a rather unusual case. We had 640 acres on a field and I, unlucky George, was the one that had to bear the work of pooling it. The 640 acres, unfortunately, included Boot Hill at the City of Garland, located in this 640 acres. It consisted of about 15 acres and composed lots of -- in those days, I guess the fellows were a little taller than we are now. I guess they were about eight feet long, six feet deep, and about four feet wide, and there was not any procedure, any precedence for pooling a cemetery and this very question came up when the Commission force pooled. How was it going to force pool it? Well, I think they had 125 burial lots there, everyone of them full. It was obvious that we could not go in to specific names, so we established, I, myself, established with Oklahoma Commission the precedence, force pooling all interests in a drilling and spacing unit, without the necessity of referring to a single owner, a single specific ownership.

All states, all twenty-four states, requiring pooling have a general provision pooling of all interests, of whatever kind and nature, as a general paragraph, about five lines long that is just pool all interests. In Oklahoma they go one step



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 243-6691

further, they say that those parties who have appeared at the hearing for the pooling and objected to one provision or another would specifically have their names in it, but it was also followed by in Oklahoma, and Oklahoma is the only state outside of New Mexico up to the present time where you have particular people coming in and objecting to proposed drilling and where you specifically name them. All the other states have general provisions. They specifically appear at the hearing and make their wants heard, their names are mentioned in the particular order, but it is also followed by that general order, general paragraph, force pooling all interests of whatever kind and nature. That was put in there for a purpose, because when an operator comes to the Commission and we say we have a lease on this acreage, we allege to you that to our best knowledge that is our acreage.

If we are wrong, we have a form where we can be taken into court, over the head of the District Court, if we have wrongfully taken someone else's oil or wrongfully paid out somebody else's interest to somebody else who is not entitled to it; we have to pay twice, we have to pay through the nose. But when you listen to all the testimony that was brought out this morning and this afternoon with respect to cost and all of these factors, you can see how far afield a Commission can get from its primary, basic jurisdictional function of encouraging drilling of wells, encouraging establishment of uniform patterns, if possible.

For what purpose? For the purpose of permitting those



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243-6691

who are eager to spend their money to drill for oil and gas, to hurry up and do it in order to prevent drainage. The operator is sort of a trustee; he is accountable to all the royalty interests, he is accountable to all his partners or working interests. It is his obligation, when he files an application, that he wants to get the well down, so that he can prevent drainage from his pool. That is the reason why we need haste in permitting those who desire to drill the right to go out and as expeditiously as possible drill and get their straw down in the common pool, so he can start participating.

Now, the one provision I referred to before this as the entire basis for the recommendation that your pooling order should be specific, is the sentence I read there, that is assuming that there is no other basis for prorating the cost of reimbursement, that is assuming the basis of acreage, but that is not necessarily to follow. Some states prorate on the acre feet. Most of all the states indicate that they shall participate on the basis of each owner's interest in the drilling and spacing unit.

Now, if you want to get into cost, I don't think that in a specific pooling of a particular drilling and spacing unit, you need to go in to the cost. Why? Because all the costs are not at hand. If you could ask any operator ninety days after he drills a well what will the total cost be, he cannot tell you because they are not in yet. It takes from five to six months for the operator to get all the costs from it, and the deeper you



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112

ALBUQUERQUE, N. M.  
PHONE 2-13-3691

go, the longer the period of time in. On one well that cost \$900,000 it took us twelve months to get all the bills in. You cannot tell what the costs are.

So, on a pooling and spacing application for force pooling in this state, the normal procedure is to force pool all interests in a drilling and spacing unit. Then, that way, you do not have to get involved in cost, because the operator tells the total cost after he gets all of the costs in and the parties get the total. The operator says this is what it costs here, as a complete cost. Then if the working interests and the overriding interest owners of the drilling and spacing unit have a dispute, your statute tells you the next step. It says on page 100 of your big yellow book, it says, "In the event that disputes, relative to cost -- ". It goes on down here, it tells you what you can do on a hearing for or on disputes of costs. I say you are trying to take two hurdles at one time when obviously all of the bills of the well are not in, when obviously you cannot tell what the interest of each is in a recently-completed well, because all the abstracts have not been examined.

Yet, if you go down and take the acreage substitute, the way other states handle it, in two particular hearings, they pool it and say in that pooling order, "This acreage is the called acreage" and when an actual survey is made of all the interests, it shall be placed in the record and substituted for the called acreage, and the Commission will use that and/or the Commission



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691

in these other states will work out the interests if all the interest holders cannot come to any agreement at a hearing called specifically for that agreement. That is why we recommend in this amended pooling order a provision for subsequent hearings on cost for pooling; that is why we say that it is to the best interests of the industry, which I am sure you gentlemen have at heart.

You have said the purpose of pooling is to prevent the drilling of unnecessary wells. You have done all those things rather laboriously. With one sweep, you are going to just undo all that by saying, "Well, we are going to go into these particular costs, we are going to have to sit down and determine all this." All that time, all this oil and gas is being drained from under that tract and you are certainly going to slow down the oil and gas in this state.

MR. PORTER: Thank you, Mr. Selinger.

By the way, does that friendship extend to Mr. Morris?

MR. SELINGER: In the early Oklahoma City days, Buck Morris and I always were on the same side.

MR. PORTER: This sentence, Section 65-3-14, "Each order shall describe the lands included in the unit designated thereby," that each order shall describe it. If you have a pool spacing drilling order in a pool in a particular reservoir and it provides for a maximum drainage of so much --

MR. SELINGER: That presents a very interesting question.





## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1162ALBUQUERQUE, N. M.  
PHONE 243-0691

I want to carry you back with me when we first started prorating gas in this state in Southeast New Mexico. I was one of those who maintained, and I still think I am right; I think you will agree after so many years that I have been right in my conclusion that I maintain that drilling and spacing units should follow a governmental section, which requires 640 acres.

If you had followed that 640 acres in Southeast New Mexico and in Northwest New Mexico, if you had provided for that instead of the 320 or whatever, and followed governmental subdivisions, if you had followed that you would have eliminated ninety percent of the unorthodox locations. That is the cause of the unorthodox units you have today.

When you first started, I went back and said we have got to unitize within the governmental sections. Then, Pop! you went ahead and the Commission granted unorthodox units across governmental section lines. That is where all your trouble began. We would not be here in this case today; you would just force pool within that 320 acres; you would say only one well to 320 acres shall be drilled and no more. You would require everybody in that 320 acres to force pool their interests; you would have less wells today; you would have less unnecessary wells today than you have had you followed the governmental sections back there.

MR. POWERS: Now, answer my question.

MR. BELINGER: This sentence here was taken bodily from



the Oklahoma statute. And I tell you in Oklahoma they follow governmental sections. They prohibit more than one well to that section. They do not grant any exceptions. They rigidly enforce their governmental sections.

MR. PORTER: Mr. Selinger, referring back to my question where it says, "Each order shall describe the land designated in the unit, do you think that applies or means a development description of a particular governmental unit or does it apply to the description of each 320 acres or how?

MR. SELINGER: No, the unit described by the geographical setup that you say is the East half of Section 22 is the unit for such-and-such a reservoir of production of gas. You would not have to describe each one of them.

MR. PORTER: You would not have to describe each one of those cemetery lots?

MR. SELINGER: No, sir. The first step is to pool it. You would set up a satisfactory unit in it. Although, where we have most of the acreage is not in government sections. My gosh, you ought to see some of those units. They are midsummer night dreams, nightmares. Whatever unit you do describe, it is conceivable that you will take a portion of a section of another government section. You might find that it is not connected with whatever unit you just set up and established. That is the unit you pool and that is the description that you put in there. That is your preliminary unit; that is your unit you are force



pooling all the interest in. Generally, there is a plat attached to each of the units in all the other states. That is the description here, I think.

MR. WALKER: Off the record.

(Off-the-record discussion held.)

MR. WHITWORTH: I will be general. I do not want to flank out on the side issues. El Paso does not want to be unfriendly to anyone. I think that in respect to these four cases, at least, El Paso is a friend to the applicant. In this case, we concur with the position that Southwest Production Company has taken what we think is a reasonable interpretation of the compulsory pooling statute of the state of New Mexico, and we think that the relief asked by the applicant in this case should be granted, and that as a policy matter, the Commission's interpretation should be put on the compulsory pooling statute that it provides for an interim, that provides interim, that the order of the Commission is directed to the land and not to individuals. Although the rights of individuals may be affected by the order, we concur wholeheartedly with what Mr. George Selinger said.

MR. BUELL: May it please the Commission, I would like to have permission to make a brief preliminary statement and follow it with a supplemental brief.

As I stated, Pan American has no direct interest in the four cases of Southwest Production Company. But we do have a definite and compelling interest in the general basic issues

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243-6691

brought out here by these so-called on which the Commission's policies and procedures may be binding on us. The main reason I would like to make a preliminary statement is to make sure I realize the general basic issues that have been made generally by the four Southwest cases.

Now, our appearance here before the Commission is simply to give you the benefit of what we think is fair and we believe is reasonable, not only to Pan American but for all the owners of interests and oil or gas land operators, no matter how small or how big they be. One of the general basic issues that I have realized is the proper application of the risk penalty provision. That has been discussed very thoroughly here, generally, with respect to a well that has been drilled and completed prior to the initiation of any force pooling application.

Pan American feels that in that event no risk penalty should be implied unless the interests who are being force pooled have been given a reasonable amount of notice that the well would be drilled. We make this recommendation because we have been in the position where we thought we had a complete voluntary agreement for a proration unit and a normal operating agreement. I have never seen any that provide for other than 200 percent penalty if any voluntary parties refuse to pay in cash for his share of expenses. We have had it happen to us that one of the people who had advised us that they were going to voluntarily pool and we had started it based on that assumption, and they



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1112ALBUQUERQUE, N. M.  
PHONE 243-0691

would find they did not have the financial reserve such as they were not in a position to pay their costs. In that kind of event, they simply pay the penalty. We certainly want to get away from the 200 percent penalty provided we are not going to sign a worse force pool.

Certainly, in that event, we feel that a penalty provision is justified and the Commission should insert one in any force pooling order. I think the issue has also been brought up to bring additional or cost related to non-productive risk, whereas Pan American has expressed to the Commission before that actual charges make a non-productive risk probably one of the most minor risks that the driller of a well assumes. We feel that even if the unit being force pooled is completely surrounded by producing wells from the objective arrival, that the inherent risk in drilling still warrants and justifies and urges the Commission to insert a penalty provision in the force pooling order.

We feel that another area issue that has been brought up is not a real issue because everyone of us agreed it is fair and reasonable. That is to the effect whether or not a reasonable effort should have been made by the applicant to voluntarily form a unit. Pan American would recommend, as a matter of policy to the Commission, is we feel that all reasonable effort should first be made to voluntarily form a proposed unit. We feel that it certainly is justifiable for the Commission at the hearing to probe and test and satisfy themselves that a reasonable effort has



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182ALBUQUERQUE, N. M.  
PHONE 243 6691

been made and probably from the standpoint of Pan American, the most critical and basic issue which I have recognized is whether or not the Commission shall force pool a contending interest, or to put it in more legal language, whether before the Commission it is interim. It is my humble and candid opinion that, based upon the force pooling statute of the state of New Mexico, that all force pooling proceedings before this Commission are interim actions.

I think there is one sentence in your statute which is completely controlling. That is the last sentence in the first paragraph. Actually, that is the paragraph that gives the Commission the authority to force pool. The rest of the statute tells you how the orders will be issued and things of that nature. That sentence, and I quote, "...shall pool all or any part of such lands or interest or both in the spacing or proration unit as a unit." In my opinion, "shall force pool all or any part" generally completely shows the legislative attempt to make this an interim proceeding before the Commission, and actually, in my opinion, even if the statute was not so clear and so concise, I cannot help but wonder, as Mr. Selinger has said and other lawyers have said, lawyers far more capable than myself, all titles are subject to the Commission.

I am sure any force pooling orders that they issue, they are, I know, certainly convinced that the order they issued is a necessary order to protect the correlative rights of all the



FARMINGTON, N. M.  
PHONE 325.1182

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.  
PHONE 243 6591

people involved. Well, I cannot help but ask myself if the Commission has met that test, has passed it in their own mind, why a force pooling order to force the interests of the parties and the correlative rights of the actual owners interest, however far down the line he may be.

The primary purpose, as I stated, and I hate to repeat myself, but the purpose of the Commission in actions of this nature is simply to prevent waste and protect correlative rights, and an order of these natures will also protect the correlative rights of a later-proven owner. We, in the industry, certainly we operators and certainly an American feels that any force pooling order of the Commission should be definite, should be as certain as is humanly possible for the legal staff of the Commission to prepare.

In closing, we would say again the Commission should consider a force pooling act interim and issue their orders accordingly.

MR. PORTER: Does anyone have anything else to say concerning this case?

MR. PORTER: I will not quit if you go against me.

MR. PORTER: The Commission will advise until March 15 for any interested parties to file a brief explaining their position. We will take the case under advisement and hold a recess.

(Recess taken to 11:30.)

X X X X



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691

STATE OF NEW MEXICO )  
COUNTY OF BERNALILLO ) ss.

I, CECIL LANGFORD, NOTARY PUBLIC in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached transcript of hearing was reported by me in stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

*Cecil Langford*  
NOTARY PUBLIC

My Commission Expires:

\_\_\_\_\_





Case 2415

August 28, 1961

JOINT INTEREST BILLING

Southwest Production Company  
3106 Southland Center  
Dallas 1, Texas

Months of June and July, 1961

Lessee Name:

Pearl Wilkes No. 1 (DH)  
E/2, Sec. 14-30N-12W  
San Juan County, N. M.  
AFE dated May 17, 1961

| <u>Invoice<br/>No.</u> | <u>Description</u>   | <u>Amount</u>                   |
|------------------------|--|---------------------------------|
| 75-61                  | Aspen Drilling Co., 6-21-61<br>Contract drilling   | \$ 32,500.00<br>32,500.00*      |
| -                      | San Juan Engineering Company, 6-4-61<br>Stake location and survey elevation<br>2% N. M. School Tax                   | 100.00<br>2.00<br>102.00*       |
| 42288                  | Atomic Sign Service, 6-10-61<br>Metal well sign<br>Tax   | 12.50<br>.38<br>12.88*          |
| 6820                   | Little Tool Company, Inc., 4-27-61<br>Aluminum pump out plug<br>Tax  | 10.50<br>.32<br>10.82*          |
| 9-3006                 | C. L. Farmer & Co., 6-23-61<br>Haul 4-1/2" casing, 71,500# @ 1.91  | 1,365.65<br>1,365.65*           |
| 54713                  | Industrial Supply Company, 6-27-61<br>5700' 3" of 4-1/2" 10.50# J-65 Grt A-2API<br>casing ST/C<br>2% N. M. Sales Tax | 7,632.61<br>152.66<br>7,785.27* |

Lease Name: Pearl Wilkes No. 1  
Page -2-

| Invoice No.  | Description   | Amount   |
|--------------|---|--|
| 21724        | Schlumberger Well Surveying Corp., 6-19-61<br>Induction electrical logging run 1<br>Service charge<br>6711' Depth chg. @ .07<br>6711' Operator chg. @ .08<br>State Tax<br>Sonic logging run 1<br>6700' Depth chg. @ .07<br>1700' Operator chg. @ .07<br>State Tax | \$ 150.00<br>400.77<br>530.86<br>23.12<br><br>400.63<br>123.13<br>11.20<br>1,784.40* |
| 20746        | Baker Oil Tools, Inc., 8-29-61<br>#43A Baker packing element<br>2% N. M. State Sales Tax  | 26.20<br>.52<br>26.72*   |
| 2201400      | Halliburton Co., 6-19-61<br>1-4-1/2" 8 R. L. V. Mult. Stage Cementer<br>N. M. Tax   | 373.60<br>7.47<br>381.07*  |
| CS<br>363083 | Halliburton Co., 8-20-61<br>Cementing 4 1/2" casing - 6710'<br>N. M. Tax  | 600.00<br>13.30<br>613.30*   |
| BC<br>520713 | Halliburton Co., 8-20-61<br>Cement, Poymix, Gel, and fluid<br>N. M. Tax   | 981.92<br>19.64<br>1,001.56*   |
| 11633        | The Western Co., 6-24-61<br>Acidizing and fracturing<br>2% N. M. Sales Tax  | 5,972.00<br>119.64<br>6,091.64*  |
| T192053      | Halliburton Co., 6-26-61<br>Squeeze job @ 5470'-testing<br>N. M. Tax  | 270.00<br>5.40<br>275.40*  |

Lease Name: Pearl Wilkes No. 1  
Page -3-

| <u>Invoice<br/>No.</u> | <u>Description</u>  | <u>Amount</u>                  |
|------------------------|---|--------------------------------|
| CS<br>373740           | Halliburton Co., 6-26-61<br>Squeeze job on 4-1/2" casing @ 6470'<br>N. M. Tax   | \$ 431.50<br>8.63<br>440.13*   |
| EC<br>520747           | Halliburton Co., 6-26-61<br>Cement and Haled for squeeze<br>N. M. Tax   | 265.00<br>5.30<br>270.30*      |
| 15155                  | Lane Wells Co., 6-26-61<br>E Gun perforations, 72 holes from 6452' to 6456',<br>20 holes from 6454' to 6454', 18 holes from<br>6455' to 6470'<br>2% N. M. Tax | 1,393.00<br>27.05<br>1,420.05* |
| 15449                  | Lane Wells Co., 7-3-61<br>None perforations, 68 holes from 6467' to 6477'<br>E Gun perforations, 66 holes from 6467' to 6477'<br>2% N. M. Tax                 | 1,508.40<br>30.17<br>1,538.57* |
| Statement              | F. P. Cram, Jr., 7-1-61<br>Consultant geologist June 16 and 20 @ \$50 per day<br>2% N. M. School Tax  | 100.00<br>2.00<br>102.00*      |
| 11747                  | Western Company, 8-26-61<br>Acidizing and fracing<br>2% N. M. Sales Tax   | 3,835.75<br>72.78<br>3,908.53* |
| 20578                  | Baker Oil Tools, Inc., 9-3-61<br>Packing element, slip stopring, 2-slips, 2 cap screws<br>2% N. M. Sales Tax  | 93.40<br>1.07<br>94.47*        |

Lease Name: Pearl Wilkes No. 1  
Page -4-

| <u>Invoice</u><br><u>No.</u> | <u>Description</u>   | <u>Amount</u>  |
|------------------------------|--|--|
| 670                          | Lehmann Oil Well Service, Inc., 7-7-61<br>Completion Unit June 23 thru June 29<br>2% N. M. Tax   | \$ 8,478.88<br>100.84<br>8,579.72  |
| T-6-<br>10332                | Industrial Supply Company, 7-14-61<br>8600' of 1-1/2" 10RD Non EUE 2.75# JCA-50 tubing<br>T & C W/J-55 beveled couplings<br>Freight charges<br>2% N. M. Sales Tax  | 2,068.36<br>225.22<br>64.97<br>2,358.55  |
| C<br>8374                    | Are Welding Works, 6-21-61<br>Cut off 4-1/2" casing 3 hrs. @ \$7<br>N. M. Tax  | 21.00<br>.42<br>21.42  |
| T-6-<br>10360                | Industrial Supply Company, 7-18-61<br>Casinghead housing 10" 5/8" 60029-5/8" 10 Brd<br>8-53 Steel ring gaskets<br>18-Studs 1-1/4"x9-1/4"<br>32 - Hex nuts 1-1/4"<br>2" Nordstrom plug valve<br>2" hvy. SMILE bull plug<br>2"x6" hvy. SMILE nipple<br>Freight charge on 8850 @ 4.25; 704 @ 3.16<br>2% N. M. Sales Tax | 104.27<br>7.28<br>25.92<br>14.40<br>38.28<br>2.30<br>1.03<br>18.57<br>6.04<br>308.07 |
| T26017                       | Industrial Supply Company, 7-18-61<br>3-3/4" CW tricone bit<br>Freight charge 104 @ 4.43<br>2% N. M. Sales Tax   | 95.83<br>.44<br>1.92<br>97.99  |

Lease Name: Pearl Wilkes No. 1  
Page -8-

| Invoice No | Description   | Amount   |
|------------|---|--|
| 19324      | Industrial Supply Company, 7-27-61<br>"CA" slip & seal assy. 10"x4-1/2" incl.<br>allen wrench<br>Special tubing head "F" 10"x8" 20000 WP W/2-3"<br>studded outlets<br>"A" Seal assy. 10"x4-1/2"<br>Bit pilot 10"x4-1/2" incl. retainer wire<br>2-Comp. flanges 2" 20000 WP LP<br>Ball plug, gaskets, studs, hex nuts<br>2% N.M. Sales Tax | 235.40<br>344.50<br>86.01<br>28.45<br>24.54<br>23.15<br>14.68<br>748.73* |
| 19325      | Industrial Supply Company, 7-27-61<br>Valve tree cameron, single string, solid<br>block bottom w/nipples, tees, gaskets,<br>studs and nuts<br>Comp. flange 2"-20000 thd.<br>Freight allowance 1%<br>2% N.M. Sales Tax   | 586.32<br>15.31<br>(5.50)<br>11.82<br>608.05*                            |
| 19326      | Industrial Supply Company, 7-27-61<br>Gaskets, comp. flange, nipples, tee, ball plug,<br>union, and welds<br>2% N.M. Sales Tax  | 103.88<br>2.08<br>105.96*  |
| 19327      | Industrial Supply Company, 7-27-61<br>"FEE" Tubing hanger 6"x2-3/8"<br>2-Marsh pressure gauges #3000<br>Swage 2" EUE pin x 1-1/2" 10 rd non EUE box<br>Ball plug, angle needle valve, straight needle<br>valve<br>Freight charges on 14805 @ 4.25<br>2% N.M. Sales Tax  | 59.92<br>47.28<br>22.33<br>25.99<br>62.90<br>4.37<br>222.79*             |

Lease Name: Pearl Wilkes No. 1  
Page -6-

| <u>Invoice</u><br><u>No.</u> | <u>Description</u>  | <u>Amount</u>  |
|------------------------------|---|--|
| 3416                         | Panhandle Steel Products Co., 7-31-61<br>16V-170, 16"x7-1/2" Production unit w/3-phase separator all std. accessories, submerged in 30"x7' indirect heater w/split coil bundle w/submerged choke, 3-phase controls all mounted and piped up<br>2 reinforced concrete foundation blocks<br>2% N.M. State Tax   | \$ 3,911.07<br>40.00<br>79.02<br>4,030.09*   |
| 3416                         | Panhandle Steel Products Co., 8-4-61<br>210 bbl. 1/4-3-3API flat bottom welded steel storage tank<br>1" rolling line installed<br>3" downcomer<br>4' API landing<br>API stairway for 15' high tank<br>Set of tax paper<br>2" #820-S0 Angado stack valve, 4 oz.<br>2% N.M. State Tax   | 1,070.33<br>34.32<br>21.84<br>31.36<br>137.65<br>4.16<br>37.75<br>26.75<br>1,364.16* |
| 16594                        | Industrial Supply Company, 7-22-61<br>4-1/2" OD 8rd B&B Baker Differential Filling collar<br>Baker-Lok thread locking compound<br>4-1/2" S.J. Cement guide shoe<br>200' of 4-1/2" Clark rotating scratchers<br>15 - 4-1/2" Clark hinged centralizers @ 15.50 ea.<br>30 - 4-1/2" Clark cement spinners @ 8.50 ea.<br>3 - 4-1/2" Baker metal petal baskets<br>2% N.M. Sales Tax | 151.00<br>8.50<br>28.60<br>340.00<br>232.50<br>170.00<br>11.25<br>21.68<br>1,100.34* |
|                              | Total   | <u>\$7,244.80</u>  |

November 13, 1961

JOINT INTEREST BILLING

Southwest Production Company  
3108 Southland Center  
Dallas -1, Texas

Supplemental Billing

Months of August, September and October, 1961

Loan Name:

Pearl Wilkes No. 1 (DK)  
E/2, Sec. 14-30N-12W  
San Juan County, N. M.

| <u>Invoice</u><br><u>No.</u> | <u>Description</u>  | <u>Amount</u>             |
|------------------------------|---|---------------------------|
| 974                          | Beasley's Hot Shot Service, 7-21-61<br>Haul mud pump and tubing<br>2% N. M. State Tax                     | \$ 20.00<br>.60<br>20.60* |
| 7162                         | Monarch Construction Co., 8-15-61<br>Lay flow lines, connect tank, fence pit                              | 193.00<br>193.00*         |
| 7220                         | Monarch Construction Co., 8-22-61<br>Put water and glycol in separator                                    | 26.70<br>26.70*           |
| 28785                        | Industrial Supply Co., 8-31-61<br>1 drum diethylene glycol<br>2% N. M. Sales Tax                          | 118.09<br>2.36<br>120.45* |
| 28778                        | Industrial Supply Co., 8-31-61<br>Nipples, ells, tees, unions, plugs<br>2% N. M. Sales Tax                | 40.18<br>.80<br>40.98*    |
| 28772                        | Industrial Supply Co., 8-31-61<br>Nipples, plug valves, locking handles, bull plugs<br>2% N. M. Sales Tax | 80.97<br>1.62<br>82.59*   |

Lease Name: Pearl Wilkes No. 1  
Page -2-

| <u>Invoice<br/>No.</u> | <u>Description</u>   | <u>Amount</u> |
|------------------------|--|---------------|
| 28771                  | Industrial Supply Co., 8-31-61   |               |
|                        | 21.20' of 1" Std. blk API line pipe T&C  | \$ 5.57       |
|                        | 165.00' of 2" Std. blk API line pipe T&C   | 90.88         |
|                        | 2% N.M. Sales Tax  | 1.93          |
|                        |  | 98.38*        |
| J10-3                  | Drilling well overhead for the period June 7 thru<br>July 30 (54/30 of \$250)                                    | 449.82        |
|                        |  | 449.82*       |
| J10-10                 | Direct salary and auto expense charges   |               |
|                        | stake location and make settlement for<br>surface damages 4 hrs. @ 7.41  | 29.64         |
|                        | Auto expense 35 mi. @ 10¢  | 3.50          |
|                        | Drilling engineer and geologist; checking<br>samples to TD well and run casing<br>60 hrs. @ 5.41                 | 324.60        |
|                        | Auto expense 65 mi. @ 10¢  | 6.50          |
|                        | Completion engineer; perforate, sand-water<br>frac and complete 183 hrs. @ 7.41                                  | 1,348.62      |
|                        | Auto expense 150 mi. @ 10¢   | 15.00         |
|                        | Production foreman; clean well, potential<br>test, set production equipment, clean up<br>location 62 hrs. @ 4.43 | 230.36        |
|                        | Auto expense 35 mi. @ 10¢  | 3.50          |
|                        |  | 2,021.72*     |
|                        | Total  | \$ 3,064.22   |



State of New Mexico  
Oil Conservation Commission

P. O. BOX 871  
SANTA FE

**CERTIFIED**  
**No. 859006**  
**MAIL**

Return Receipt Requested

Mr. Harold M. Brimhall  
Flora Vista, New Mexico

1st NOTICE FEB 7 1962

2nd NOTICE

RETURN

REASON CHECKED  
Unclaimed  
Unkilled  
No longer needed  
Sent to no address  
No sale since 10 state

REASON CHECKED  
Unclaimed  
Unkilled  
No longer needed  
Sent to no address  
No sale since 10 state

SANTA FE  
FEB-11-62



**INSTRUCTIONS TO DELIVERING EMPLOYEE**

☐ **DELIVER ONLY TO ADDRESSEE** ☐ **SHOW ADDRESSEE WHERE DELIVERED**  
(Additional charges required for these services)

**RECEIVED BY ADDRESSEE**  
Received the enclosed article described on other side.

**SIGNATURE OF NAME OF ADDRESSEE (must always be filled in)**  
*She M...*

**SIGNATURE OF ADDRESSEE'S AGENT, IF ANY**  
*Oce*

|                       |   |
|-----------------------|---|
| <b>DATE DELIVERED</b> | <b>ADDRESS WHERE DELIVERED (only if requested in item #1)</b> |
|                       |   |

420-24-7000-6 600

DOCKET: REGULAR HEARING - WEDNESDAY - FEBRUARY 14, 1962

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

- ALLOWABLE: (1) Consideration of the oil allowable for March, 1962.
- (2) Consideration of the allowable production of gas for March, 1962, from ten prorated pools in Lea and Eddy Counties, New Mexico, also consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for March, 1962.

CASE 2415: (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2415, Order No. R-2150, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 14, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include the unknown heirs of Abas Hassan, the unknown heirs of D. M. Longstreet, and Robert E., Alice L. and Samuel G. Goodwin, or their unknown heirs.

CASE 2416 (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2416, Order No. R-2151, relating to the force pooling of mineral interests in the Flora Vista-Mesa-verde Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include Roy Rector, O. G. Shelby, Dwight L. Millett, Myron H. Dale, George T. Dale, and Julian Coffey.

CASE 2446 (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2446, Order No. R-2068-A, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include Roy Rector, O. G. Shelby, Dwight L. Millett, Myron H. Dale, George T. Dale, and Julian Coffey.

CASE 2453: (De Novo)

Application of Southwest Production Company for a hearing de novo in Case No. 2453, Order R-2152, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 7, Township 30 North, Range 11 West, San Juan County, New Mexico. Interested parties include Harold M. and Maleta Y. Brimhall.

CASE 2494:

Southeastern New Mexico nomenclature case calling for an order creating new pools, extending, abolishing and contracting certain existing pools and changing pool name in Eddy, Lea and Roosevelt Counties, New Mexico.

(a) Create a new gas pool for Devonian production, designated as the North Bell Lake-Devonian Gas Pool and described as:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM  
Section 6: SE/4

(b) Create a new gas pool for Morrow production, designated as the Cedar Lake-Morrow Gas Pool and described as:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 36: NE/4

(c) Create a new oil pool for Seven Rivers production, designated as the East Empire Yates-Seven Rivers Pool, and described as:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 27: S/2

(d) Create a new oil pool for Devonian production, designated as the North Justis-Devonian Pool, and described as:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM  
Section 2: NE/4

(e) Create a new oil pool for Delaware production, designated as the East Mason-Delaware Pool, and described as:

TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPM  
Section 16: SW/4

(f) Create a new oil pool for Queen production, designated as the West McMillan Seven Rivers-Queen Pool and described as:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM  
Section 11: SE/4

(g) Create a new oil pool for Seven Rivers production, designated as the Palmillo-Seven Rivers Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM  
Section 18: NW/4

(h) Create a new oil pool for Bone Springs production, designated as the Quail Ridge-Bone Springs Pool, and described as:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM  
Section 21: NW/4

(i) Create a new gas pool for Morrow production, designated as the North Quail Ridge-Morrow Gas Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM  
Section 7: NE/4

(j) Create a new gas pool for Pennsylvanian production, designated as the West Tonto-Pennsylvanian Gas Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Section 18: NW/4

(k) Create a new oil pool for Pennsylvanian production, designated as the North Williams-Pennsylvanian Pool and described as:

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM  
Section 16: NW/4

(l) Change the name of the Greenwood-Wolfcamp Pool, Eddy County, New Mexico to Shugart-Wolfcamp Pool, Eddy County, New Mexico, comprising the following described acreage:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM  
Section 27: NE/4

- (m) Abolish the McMillan-Seven Rivers Pool comprising:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM  
Section 31: E/2 SE/4, SE/4 NE/4  
Section 32: SW/4, S/2 NW/4

- (n) Contract the Empire (Yates-Seven Rivers) Pool by the deletion of the following described Area:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 16: All  
Section 17: S/2  
Section 20: N/2  
Section 21: W/2 & SE/4

- (o) Contract the Leo Queen-Grayburg Pool by the deletion of the following described area:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM  
Section 12: S/2 SW/4  
Section 13: W/2  
Section 14: SE/4  
Section 16: S/2  
Section 21: NW/4  
Section 23: E/2

- (p) Contract the Loco Hills-Queen Pool by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 30: SE/4

- (q) Contract the Square Lake Grayburg-San Andres Pool by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 9: SW/4 & W/2 SE/4

- (r) Extend the Anderson Ranch-Wolfcamp Pool to include:

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM  
Section 28: S/2 SW/4

- (s) Extend the Artesia Queen-Grayburg-San Andres Pool to include:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 32: NE/4

- (t) Extend the Caprock-Queen Pool to include:

TOWNSHIP 13 SOUTH, RANGE 31 EAST, NMPM  
Section 10: SE/4

- (u) Extend the Cruz-Delaware Pool to include:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM  
Section 24: SE/4

- (v) Extend the Dog Canyon-Grayburg Pool to include:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM  
Section 27: SW/4 NE/4  
Section 34: NW/4 NW/4

- (w) Extend the Dollarhide-Queen Pool to include:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM  
Section 24: NE/4

- (x) Extend the Drinkard Pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
Section 30: E/2 NW/4

- (y) Extend the Empire-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 30: S/2 NE/4

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM  
Section 16: NW/4 SE/4

- (z) Extend the Jenkins-Wolfcamp Pool to include:

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM  
Section 10: N/2 NW/4

- (aa) Extend the Lea-Devonian Pool to include:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM  
Section 11: SE/4

- (bb) Extend the Loco Hills-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 21: SE/4

- (cc) Extend the Loco Hills (Grayburg-San Andres) Pool to include:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM  
Section 19: E/2 SE/4

- (dd) Extend the Lusk-Strawn Pool to include:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM  
Section 20: NW/4

- (ee) Extend the Maljamar Pool to include:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM  
Section 32: SE/4

- (ff) Extend the Maljamar Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM  
Section 28: E/2

- (gg) Extend the East Millman-Seven Rivers Pool to include:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 28: NE/4

- (hh) Extend the Milnesand-San Andres Pool to include:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM  
Section 13: S/2 NE/4



- (ii) Extend the Paduca-Delaware Pool to include:

TOWNSHIP 25 SOUTH, RANGE 32 EAST, NMPM  
Section 10: W/2 NE/4  
Section 28: N/2 SW/4

- (jj) Extend the Parallel-Delaware Pool to include:

TOWNSHIP 20 SOUTH, RANGE 31 EAST, NMPM  
Section 26: NW/4  
Section 27: NE/4

- (kk) Extend the Pearl-Queen Pool to include:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM  
Section 9: NW/4 NW/4

- (ll) Extend the Russell Pool to include:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM  
Section 22: SE/4 SE/4  
Section 27: E/2 NE/4

- (mm) Extend the North Skaggs-Drinkard Gas Pool to include:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM  
Section 5: SW/4

- (nn) Extend the Vandagriff-Keyes Gas Pool to include:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM  
Section 33: NE/4

- (oo) Extend the Whites City-Pennsylvanian Gas Pool to include:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM  
Section 20: E/2

CASE 2495:

Northwestern New Mexico nomenclature case calling for an order extending certain existing pools in Rio Arriba, San Juan and Sandoval Counties, New Mexico.

- (a) Extend the Ballard-Pictured Cliffs Pool to include:  
TOWNSHIP 26 NORTH, RANGE 8 WEST, NMPM  
Section 13: NW/4
- (b) Extend the Tapacito-Pictured Cliffs Pool to include:  
TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM  
Section 26: NW/4
- (c) Extend the Blanco-Mesaverde Pool to include:  
TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM  
Section 18: W/2  
TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM  
Section 9: E/2  
Section 10: W/2  
Section 15: W/2
- (d) Extend the Cha Cha-Gallup Oil Pool to include:  
TOWNSHIP 29 NORTH, RANGE 14 WEST, NMPM  
Section 25: E/2 NW/4
- (e) Extend the Escrito-Gallup Oil Pool to include:  
TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM  
Section 31: W/2 NE/4  
TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM  
Section 22: E/2 NE/4  
TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM  
Section 12: W/2 SE/4
- (f) Extend the Horseshoe-Gallup Oil Pool to include:  
TOWNSHIP 30 NORTH, RANGE 15 WEST, NMPM  
Section 19: W/2 NW/4  
TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM  
Section 24: NE/4 NE/4

-9-

Docket No. 5-62

(g) Extend the Totah-Gallup Oil Pool to include:

TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM

Section 20: E/2 SE/4

Section 21: W/2 SW/4

State of New Mexico  
Oil Conservation Commission

P. O. BOX 671  
SANTA FE

**CERTIFIED**  
**No. 859008**  
**MAIL**

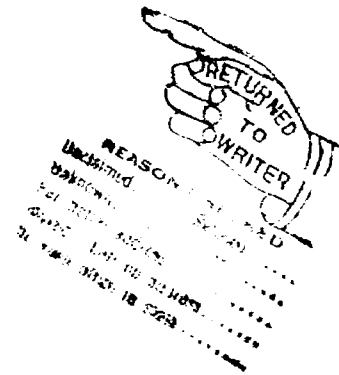
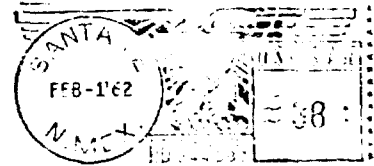
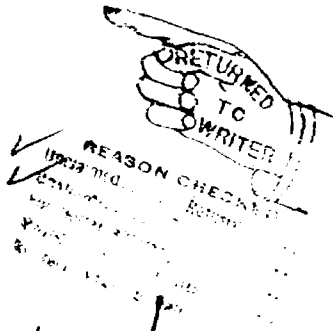
Return Receipt Requested

~~Mrs. Maleta Y. Brimhall~~  
~~Flora Vista, New Mexico~~

1st NOTICE FEB 7 1962

2nd NOTICE

DEFENDANT



DOCKET: REGULAR HEARING - WEDNESDAY - FEBRUARY 14, 1962

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

- ALLOWABLE:**
- (1) Consideration of the oil allowable for March, 1962.
  - (2) Consideration of the allowable production of gas for March, 1962, from ten prorated pools in Lea and Eddy Counties, New Mexico, also consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for March, 1962.

CASE 2415: (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2415, Order No. R-2150, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 14, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include the unknown heirs of Abas Hassan, the unknown heirs of D. M. Longstreet, and Robert E., Alice L. and Samuel G. Goodwin, or their unknown heirs.

CASE 2416 (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2416, Order No. R-2151, relating to the force pooling of mineral interests in the Flora Vista-Mesa-verde Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include Roy Rector, O. G. Shelby, Dwight L. Millett, Myron H. Dale, George T. Dale, and Julian Coffey.

CASE 2446 (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2446, Order No. R-2068-A, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include Roy Rector, O. G. Shelby, Dwight L. Millett, Myron H. Dale, George T. Dale, and Julian Coffey.

CASE 2453: (De Novo)

Application of Southwest Production Company for a hearing de novo in Case No. 2453, Order R-2152, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 7, Township 30 North, Range 11 West, San Juan County, New Mexico. Interested parties include Harold M. and Maleta Y. Brimhall.

CASE 2494:

Southeastern New Mexico nomenclature case calling for an order creating new pools, extending, abolishing and contracting certain existing pools and changing pool name in Eddy, Lea and Roosevelt Counties, New Mexico.

(a) Create a new gas pool for Devonian production, designated as the North Bell Lake-Devonian Gas Pool and described as:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM  
Section 6: SE/4

(b) Create a new gas pool for Morrow production, designated as the Cedar Lake-Morrow Gas Pool and described as:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 36: NE/4

(c) Create a new oil pool for Seven Rivers production, designated as the East Empire Yates-Seven Rivers Pool, and described as:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 27: S/2

(d) Create a new oil pool for Devonian production, designated as the North Justis-Devonian Pool, and described as:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM  
Section 2: NE/4

(e) Create a new oil pool for Delaware production, designated as the East Mason-Delaware Pool, and described as:

TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPM  
Section 16: SW/4

(f) Create a new oil pool for Queen production, designated as the West McMillan Seven Rivers-Queen Pool and described as:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM  
Section 11: SE/4

(g) Create a new oil pool for Seven Rivers production, designated as the Palmillo-Seven Rivers Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM  
Section 18: NW/4

(h) Create a new oil pool for Bone Springs production, designated as the Quail Ridge-Bone Springs Pool, and described as:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM  
Section 21: NW/4

(i) Create a new gas pool for Morrow production, designated as the North Quail Ridge-Morrow Gas Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM  
Section 7: NE/4

(j) Create a new gas pool for Pennsylvanian production, designated as the West Tonto Pennsylvanian Gas Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Section 18: NW/4

(k) Create a new oil pool for Pennsylvanian production, designated as the North Williams-Pennsylvanian Pool and described as:

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM  
Section 16: NW/4

(l) Change the name of the Greenwood-Wolfcamp Pool, Eddy County, New Mexico to Shugart-Wolfcamp Pool, Eddy County, New Mexico, comprising the following described acreage:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM  
Section 27: NE/4

- (m) Abolish the McMillan-Seven Rivers Pool comprising:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM  
Section 31: E/2 SE/4, SE/4 NE/4  
Section 32: SW/4, S/2 NW/4

- (n) Contract the Empire (Yates-Seven Rivers) Pool by the deletion of the following described Area:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 16: All  
Section 17: S/2  
Section 20: N/2  
Section 21: W/2 & SE/4

- (o) Contract the Leo Queen-Grayburg Pool by the deletion of the following described area:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM  
Section 12: S/2 SW/4  
Section 13: W/2  
Section 14: SE/4  
Section 16: S/2  
Section 21: NW/4  
Section 23: E/2

- (p) Contract the Loco Hills-Queen Pool by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 30: SE/4

- (q) Contract the Square Lake Grayburg-San Andres Pool by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 9: SW/4 & W/2 SE/4



- (r) Extend the Anderson Ranch-Wolfcamp Pool to include:

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM  
Section 28: S/2 SW/4

- (s) Extend the Artesia Queen-Grayburg-San Andres Pool to include:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 32: NE/4

- (t) Extend the Caprock-Queen Pool to include:

TOWNSHIP 13 SOUTH, RANGE 31 EAST, NMPM  
Section 10: SE/4

- (u) Extend the Cruz-Delaware Pool to include:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM  
Section 24: SE/4

- (v) Extend the Dog Canyon-Grayburg Pool to include:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM  
Section 27: SW/4 NE/4  
Section 34: NW/4 NW/4

- (w) Extend the Dollarhide-Queen Pool to include:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM  
Section 24: NE/4

- (x) Extend the Drinkard Pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
Section 30: E/2 NW/4

- (y) Extend the Empire-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 30: S/2 NE/4

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM  
Section 16: NW/4 SE/4

- (z) Extend the Jenkins-Wolfcamp Pool to include:

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM  
Section 10: N/2 NW/4

- (aa) Extend the Lea-Devonian Pool to include:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM  
Section 11: SE/4

- (bb) Extend the Loco Hills-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 21: SE/4

- (cc) Extend the Loco Hills (Grayburg-San Andres) Pool to include:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM  
Section 19: E/2 SE/4

- (dd) Extend the Lusk-Strawn Pool to include:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM  
Section 20: NW/4

- (ee) Extend the Maljamar Pool to include:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM  
Section 32: SE/4

- (ff) Extend the Maljamar-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM  
Section 28: E/2

- (gg) Extend the East Millman-Seven Rivers Pool to include:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 28: NE/4

- (hh) Extend the Milnesand-San Andres Pool to include:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM  
Section 13: S/2 NE/4

- (ii) Extend the Paduca-Delaware Pool to include:

TOWNSHIP 25 SOUTH, RANGE 32 EAST, NMPM

Section 10: W/2 NE/4

Section 28: N/2 SW/4

- (jj) Extend the Parallel-Delaware Pool to include:

TOWNSHIP 20 SOUTH, RANGE 31 EAST, NMPM

Section 26: NW/4

Section 27: NE/4

- (kk) Extend the Pearl-Queen Pool to include:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM

Section 9: NW/4 NW/4

- (ll) Extend the Russell Pool to include:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 22: SE/4 SE/4

Section 27: E/2 NE/4

- (mm) Extend the North Skaggs-Drinkard Gas Pool to include:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 5: SW/4

- (nn) Extend the Vandagriff-Keyes Gas Pool to include:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM

Section 33: NE/4

- (oo) Extend the Whites City-Pennsylvanian Gas Pool to include:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Section 20: E/2

CASE 2495:

Northwestern New Mexico nomenclature case calling for an order extending certain existing pools in Rio Arriba, San Juan and Sandoval Counties, New Mexico.

- (a) Extend the Ballard-Pictured Cliffs Pool to include:

TOWNSHIP 26 NORTH, RANGE 8 WEST, NMPM  
Section 13: NW/4

- (b) Extend the Tapacito-Pictured Cliffs Pool to include:

TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM  
Section 26: NW/4

- (c) Extend the Blanco-Mesaverde Pool to include:

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM  
Section 18: W/2

TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM

Section 9: E/2

Section 10: W/2

Section 15: W/2

- (d) Extend the Cha Cha-Gallup Oil Pool to include:

TOWNSHIP 29 NORTH, RANGE 14 WEST, NMPM  
Section 25: E/2 NW/4

- (e) Extend the Escrito-Gallup Oil Pool to include:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM  
Section 31: W/2 NE/4

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM  
Section 22: E/2 NE/4

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM  
Section 12: W/2 SE/4

- (f) Extend the Horseshoe-Gallup Oil Pool to include:

TOWNSHIP 30 NORTH, RANGE 15 WEST, NMPM  
Section 19: W/2 NW/4

TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM  
Section 24: NE/4 NE/4

-9-

Docket No. 5-62

(g) Extend the Totah-Gallup Oil Pool to include:

TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM

Section 20: E/2 SE/4

Section 21: W/2 SW/4

State of New Mexico  
Oil Conservation Commission  
P. O. BOX 871  
SANTA FE

**CERTIFIED**  
**No. 859007**  
**MAIL**

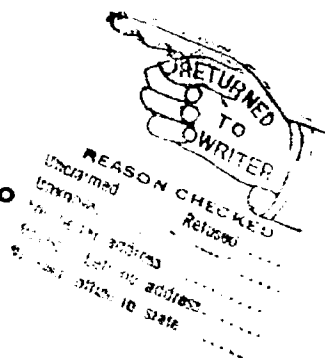
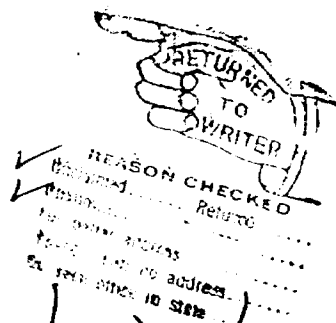
Return Receipt Requested

Myron H. Dale or  
George T. Dale  
Flora Vista, New Mexico

1st NOTICE FEB 7 1962

2nd NOTICE

RETURN



**INSTRUCTIONS TO DELIVERING EMPLOYEE**

☐ Deliver ONLY to address ☐ Deliver where address is different

*(Additional charges required for these services)*

Received the enclosed article described on other side.

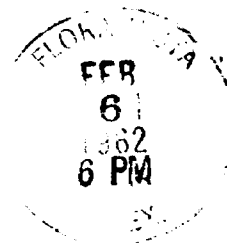
*[Signature]*

*[Signature]*

DATE DELIVERED: \_\_\_\_\_

COPIES WERE DELIVERED (only if reported in item #1)

\_\_\_\_\_



No. 5-62

DOCKET: REGULAR HEARING - WEDNESDAY - FEBRUARY 14, 1962

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

- ALLOWABLE:       (1) Consideration of the oil allowable for March, 1962.
- (2) Consideration of the allowable production of gas for March, 1962, from ten prorated pools in Lea and Eddy Counties, New Mexico, also consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for March, 1962.

CASE 2415: (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2415, Order No. R-2150, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 14, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include the unknown heirs of Abas Hassan, the unknown heirs of D. M. Longstreet, and Robert E., Alice L. and Samuel G. Goodwin, or their unknown heirs.

CASE 2416 (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2416, Order No. R-2151, relating to the force pooling of mineral interests in the Flora Vista-Mesa-verde Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include Roy Rector, O. C. Shelby, Dwight L. Millett, Myron H. Dale, George T. Dale, and Julian Coffey.

CASE 2446 (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2446, Order No. R-2068-A, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include Roy Rector, O. G. Shelby, Dwight L. Millett, Myron H. Dale, George T. Dale, and Julian Coffey.



CASE 2453: (De Novo)

Application of Southwest Production Company for a hearing de novo in Case No. 2453, Order R-2152, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 7, Township 30 North, Range 11 West, San Juan County, New Mexico. Interested parties include Harold M. and Maleta Y. Brimhall.

CASE 2494:

Southeastern New Mexico nomenclature case calling for an order creating new pools, extending, abolishing and contracting certain existing pools and changing pool name in Eddy, Lea and Roosevelt Counties, New Mexico.

(a) Create a new gas pool for Devonian production, designated as the North Bell Lake-Devonian Gas Pool and described as:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM  
Section 6: SE/4

(b) Create a new gas pool for Morrow production, designated as the Cedar Lake-Morrow Gas Pool and described as:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 36: NE/4

(c) Create a new oil pool for Seven Rivers production, designated as the East Empire Yates-Seven Rivers Pool, and described as:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 27: S/2

(d) Create a new oil pool for Devonian production, designated as the North Justis Devonian Pool, and described as:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM  
Section 2: NE/4

(e) Create a new oil pool for Delaware production, designated as the East Mason-Delaware Pool, and described as:

TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPM  
Section 16: SW/4

(f) Create a new oil pool for Queen production, designated as the West McMillan Seven Rivers-Queen Pool and described as:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM  
Section 11: SE/4

(g) Create a new oil pool for Seven Rivers production, designated as the Palmillo-Seven Rivers Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM  
Section 18: NW/4

(h) Create a new oil pool for Bone Springs production, designated as the Quail Ridge-Bone Springs Pool, and described as:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM  
Section 21: NW/4

(i) Create a new gas pool for Morrow production, designated as the North Quail Ridge-Morrow Gas Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM  
Section 7: NE/4

(j) Create a new gas pool for Pennsylvanian production, designated as the West Tonto-Pennsylvanian Gas Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Section 18: NW/4

(k) Create a new oil pool for Pennsylvanian production, designated as the North Williams-Pennsylvanian Pool and described as:

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM  
Section 16: NW/4

(l) Change the name of the Greenwood-Wolfcamp Pool, Eddy County, New Mexico to Shugart-Wolfcamp Pool, Eddy County, New Mexico, comprising the following described acreage:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM  
Section 27: NE/4

- (m) Abolish the McMillan-Seven Rivers Pool comprising:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM  
Section 31: E/2 SE/4, SE/4 NE/4  
Section 32: SW/4, S/2 NW/4

- (n) Contract the Empire (Yates-Seven Rivers) Pool by the deletion of the following described Area:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 16: All  
Section 17: S/2  
Section 20: N/2  
Section 21: W/2 & SE/4

- (o) Contract the Leo Queen-Grayburg Pool by the deletion of the following described area:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM  
Section 12: S/2 SW/4  
Section 13: W/2  
Section 14: SE/4  
Section 16: S/2  
Section 21: NW/4  
Section 23: E/2

- (p) Contract the Loco Hills-Queen Pool by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 30: SE/4

- (q) Contract the Square Lake Grayburg-San Andres Pool by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 9: SW/4 & W/2 SE/4

- (r) Extend the Anderson Ranch-Wolfcamp Pool to include:  
TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM  
Section 28: S/2 SW/4
- (s) Extend the Artesia Queen-Grayburg-San Andres Pool to include:  
TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 32: NE/4
- (t) Extend the Caprock-Queen Pool to include:  
TOWNSHIP 13 SOUTH, RANGE 31 EAST, NMPM  
Section 10: SE/4
- (u) Extend the Cruz-Delaware Pool to include:  
TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM  
Section 24: SE/4
- (v) Extend the Dog Canyon-Grayburg Pool to include:  
TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM  
Section 27: SW/4 NE/4  
Section 34: NW/4 NW/4
- (w) Extend the Dellarnide-Queen Pool to include:  
TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM  
Section 24: NE/4
- (x) Extend the Drinkard Pool to include:  
TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
Section 30: E/2 NW/4
- (y) Extend the Empire-Abo Pool to include:  
TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 30: S/2 NE/4  
TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM  
Section 16: NW/4 SE/4

- (z) Extend the Jenkins-Wolfcamp Pool to include:

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM  
Section 10: N/2 NW/4

- (aa) Extend the Lea-Devonian Pool to include:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM  
Section 11: SE/4

- (bb) Extend the Loco Hills-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 21: SE/4

- (cc) Extend the Loco Hills (Grayburg-San Andres) Pool to include:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM  
Section 19: E/2 SE/4

- (dd) Extend the Lusk-Strawn Pool to include:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM  
Section 20: NW/4

- (ee) Extend the Maljamar Pool to include:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM  
Section 32: SE/4

- (ff) Extend the Maljamar-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM  
Section 28: E/2

- (gg) Extend the East Millman-Seven Rivers Pool to include:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 28: NE/4

- (hh) Extend the Milnesand-San Andres Pool to include:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM  
Section 13: S/2 NE/4

- (ii) Extend the Paduca-Delaware Pool to include:

TOWNSHIP 25 SOUTH, RANGE 32 EAST, NMPM

Section 10: W/2 NE/4

Section 28: N/2 SW/4

- (jj) Extend the Parallel-Delaware Pool to include:

TOWNSHIP 20 SOUTH, RANGE 31 EAST, NMPM

Section 26: NW/4

Section 27: NE/4

- (kk) Extend the Pearl-Queen Pool to include:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM

Section 9: NW/4 NW/4

- (ll) Extend the Russell Pool to include:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 22: SE/4 SE/4

Section 27: E/2 NE/4

- (mm) Extend the North Skaggs-Drinkard Gas Pool to include:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 5: SW/4

- (nn) Extend the Vandagriff-Keyes Gas Pool to include:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM

Section 33: NE/4

- (oo) Extend the Whites City-Pennsylvanian Gas Pool to include:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Section 20: E/2

CASE 2495:

Northwestern New Mexico nomenclature case calling for an order extending certain existing pools in Rio Arriba, San Juan and Sandoval Counties, New Mexico.

- (a) Extend the Ballard-Pictured Cliffs Pool to include:

TOWNSHIP 26 NORTH, RANGE 8 WEST, NMPM  
Section 13: NW/4

- (b) Extend the Tapacito-Pictured Cliffs Pool to include:

TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM  
Section 26: NW/4

- (c) Extend the Blanco-Mesaverde Pool to include:

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM  
Section 18: W/2

TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM  
Section 9: E/2  
Section 10: W/2  
Section 15: W/2

- (d) Extend the Cha Cha-Gallup Oil Pool to include:

TOWNSHIP 29 NORTH, RANGE 14 WEST, NMPM  
Section 25: E/2 NW/4

- (e) Extend the Escrito-Gallup Oil Pool to include:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM  
Section 31: W/2 NE/4

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM  
Section 22: E/2 NE/4

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM  
Section 12: W/2 SE/4

- (f) Extend the Horseshoe-Gallup Oil Pool to include:

TOWNSHIP 30 NORTH, RANGE 15 WEST, NMPM  
Section 19: W/2 NW/4

TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM  
Section 24: NE/4 NE/4

-9-  
Docket No. 5-62

(g) Extend the Totah-Gallup Oil Pool to include:

TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM  
Section 20: E/2 SE/4  
Section 21: W/2 SW/4



DOCKETS FOR THE FEBRUARY 14th  
REGULAR HEARING MAILED TO:

George Verity  
W. J. Cooley  
- Roy Rector (Flora Vista, N.M.)  
- O. G. Shelby "  
- Dwight L. Millett "  
- Myron H. Dale or George T. Dale ✓  
Flora Vista, N.M.  
- Mr. Julian Coffey (Flora Vista) ✓  
- Maleta Y. Brimhall "  
- Harold M. Brimhall ✓ "  
Howard Bratton  
Jason Kellahin  
County of San Juan - Aztec, N.M.

Dockets sent certified mail to those  
checked off.

2/1/62

POST OFFICE DEPARTMENT  
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID  
PAYMENT OF POSTAGE, \$300

POSTMARK OF  
DELIVERING OFFICE

Mr. Julian Coffey  
Flora Vista, New Mexico

INSTRUCTIONS: Fill in items below and complete #1 on other side, when applicable. Moisten gummed ends and attach to back of article. Print on front of article RETURN RECEIPT REQUESTED.

RETURN  
TO

|                         |  |
|-------------------------|--|
| REGISTERED NO.          | NAME OF SENDER                               |
| CERTIFIED NO.<br>859009 | Oil Conservation Commission                  |
| INSURED NO.             | STREET AND NO. OR P. O. BOX<br>Box 871       |
|                         | CITY, ZONE AND STATE<br>Santa Fe, New Mexico |

CSS-16-71543-4

POST OFFICE DEPARTMENT  
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID  
PAYMENT OF POSTAGE, \$300

POSTMARK OF  
DELIVERING OFFICE

Mr. O. G. Shelby  
Flora Vista,  
New Mexico

INSTRUCTIONS: Fill in items below and complete #1 on other side, when applicable. Moisten gummed ends and attach to back of article. Print on front of article RETURN RECEIPT REQUESTED.

RETURN  
TO

|                         |  |
|-------------------------|--|
| REGISTERED NO.          | NAME OF SENDER                               |
| CERTIFIED NO.<br>859004 | Oil Conservation Commission                  |
| INSURED NO.             | STREET AND NO. OR P. O. BOX<br>Box 871       |
|                         | CITY, ZONE AND STATE<br>Santa Fe, New Mexico |

CSS-16-71543-4

PENALTY FOR PRIVATE USE TO AVOID  
PAYMENT OF POSTAGE, \$300

POSTMARK OF  
DELIVERING OFFICE

Mr. Dwight R. Millett  
Flora Vista, New Mexico

INSTRUCTIONS: Fill in items below and complete #1 on other side, when applicable. Moisten gummed ends and attach to back of article. Print on front of article RETURN RECEIPT REQUESTED.

RETURN  
TO

|                         |  |
|-------------------------|--|
| REGISTERED NO.          | NAME OF SENDER                               |
| CERTIFIED NO.<br>859005 | Oil Conservation Commission                  |
| INSURED NO.             | STREET AND NO. OR P. O. BOX<br>Box 871       |
|                         | CITY, ZONE AND STATE<br>Santa Fe, New Mexico |

CSS-16-71543-4

POST OFFICE DEPARTMENT  
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID  
PAYMENT OF POSTAGE, \$300

POSTMARK OF  
DELIVERING OFFICE

Mr. Dwight R. Millett  
Flora Vista,  
New Mexico

INSTRUCTIONS: Fill in items below and complete #1 on other side, when applicable. Moisten gummed ends and attach to back of article. Print on front of article RETURN RECEIPT REQUESTED.

RETURN  
TO

|                         |  |
|-------------------------|--|
| REGISTERED NO.          | NAME OF SENDER                               |
| CERTIFIED NO.<br>859005 | Oil Conservation Commission                  |
| INSURED NO.             | STREET AND NO. OR P. O. BOX<br>Box 871       |
|                         | CITY, ZONE AND STATE<br>Santa Fe, New Mexico |

CSS-16-71543-4

POST OFFICE DEPARTMENT  
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID  
PAYMENT OF POSTAGE, \$300

POSTMARK OF  
DELIVERING OFFICE

Mrs. Maleta Y. Brimhall  
Flora Vista, New Mexico

INSTRUCTIONS: Fill in items below and complete #1 on other side, when applicable. Moisten gummed ends and attach to back of article. Print on front of article RETURN RECEIPT REQUESTED.

RETURN  
TO

|                         |  |
|-------------------------|--|
| REGISTERED NO.          | NAME OF SENDER                               |
| CERTIFIED NO.<br>859008 | Oil Conservation Commission                  |
| INSURED NO.             | STREET AND NO. OR P. O. BOX<br>Box 871       |
|                         | CITY, ZONE AND STATE<br>Santa Fe, New Mexico |

CSS-16-71543-4

**#1-INSTRUCTIONS TO DELIVERING EMPLOYEE**

☐ Deliver ONLY to addressee ☐ Show address where delivered  
(Additional charges required for these services)

**RETURN RECEIPT**

Received the numbered article described on other side.

SIGNATURE OR NAME OF ADDRESSEE (must always be filled in)  
*Julian Coffey*

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED *2-2-62* ADDRESS WHERE DELIVERED (only if requested in item #1)

CS-16-71548-4 GPO

**#1-INSTRUCTIONS TO DELIVERING EMPLOYEE**

☐ Deliver ONLY to addressee ☐ Show address where delivered  
(Additional charges required for these services)

**RETURN RECEIPT**

Received the numbered article described on other side.

SIGNATURE OR NAME OF ADDRESSEE (must always be filled in)  
*Mr. O. J. Nelson*

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED *2-2-62* ADDRESS WHERE DELIVERED (only if requested in item #1)

CS-16-71548-4 GPO

**#1-INSTRUCTIONS TO DELIVERING EMPLOYEE**

☐ Deliver ONLY to addressee ☐ Show address where delivered  
(Additional charges required for these services)

**RETURN RECEIPT**

Received the numbered article described on other side.

SIGNATURE OR NAME OF ADDRESSEE (must always be filled in)  
*Mr. Roy Rector*

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY  
*Mr. Roy Rector*

DATE DELIVERED *2-2-62* ADDRESS WHERE DELIVERED (only if requested in item #1)

CS-16-71548-4 GPO

**#1-INSTRUCTIONS TO DELIVERING EMPLOYEE**

☐ Deliver ONLY to addressee ☐ Show address where delivered  
(Additional charges required for these services)

**RETURN RECEIPT**

Received the numbered article described on other side.

SIGNATURE OR NAME OF ADDRESSEE (must always be filled in)  
*Dwight A. Miller*

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED *2-2-62* ADDRESS WHERE DELIVERED (only if requested in item #1)

CS-16-71548-4 GPO

**#1-INSTRUCTIONS TO DELIVERING EMPLOYEE**

☐ Deliver ONLY to addressee ☐ Show address where delivered  
(Additional charges required for these services)

**RETURN RECEIPT**

Received the numbered article described on other side.

SIGNATURE OR NAME OF ADDRESSEE (must always be filled in)  
*Mr. Miller*

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY  
*Mr. Miller*

DATE DELIVERED ADDRESS WHERE DELIVERED (only if requested in item #1)

CS-16-71548-4 GPO

No. 859005

|  |  |   |
|--|--|---|
| RECEIPT FOR CERTIFIED MAIL—20¢   |  | POSTMARK<br>OR DATE   |
| SENT TO  |  |   |
| STREET AND NO.   |  |   |
| CITY AND STATE   |  |   |
| If you want a return receipt, check which<br><input type="checkbox"/> 10¢ shows to whom and when delivered |  | If you want restricted delivery, check here<br><input type="checkbox"/> 50¢ fee |
| <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered                              |  |   |
| FEES ADDITIONAL TO 20¢ FEE   |  |   |
| POD Form 3800<br>Apr 1960  |  | SEE OTHER SIDE  |

No. 859003

|  |  |   |
|--|--|---|
| RECEIPT FOR CERTIFIED MAIL—20¢   |  | POSTMARK<br>OR DATE   |
| SENT TO  |  |   |
| STREET AND NO.   |  |   |
| CITY AND STATE   |  |   |
| If you want a return receipt, check which<br><input type="checkbox"/> 10¢ shows to whom and when delivered |  | If you want restricted delivery, check here<br><input type="checkbox"/> 50¢ fee |
| <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered                              |  |   |
| FEES ADDITIONAL TO 20¢ FEE   |  |   |
| POD Form 3800<br>Apr 1960  |  | SEE OTHER SIDE  |

No. 859008

|  |  |   |
|--|--|---|
| RECEIPT FOR CERTIFIED MAIL—20¢   |  | POSTMARK<br>OR DATE   |
| SENT TO  |  |   |
| STREET AND NO.   |  |   |
| CITY AND STATE   |  |   |
| If you want a return receipt, check which<br><input type="checkbox"/> 10¢ shows to whom and when delivered |  | If you want restricted delivery, check here<br><input type="checkbox"/> 50¢ fee |
| <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered                              |  |   |
| FEES ADDITIONAL TO 20¢ FEE   |  |   |
| POD Form 3800<br>Apr 1960  |  | SEE OTHER SIDE  |

No. 859007

|  |  |   |
|--|--|---|
| RECEIPT FOR CERTIFIED MAIL—20¢   |  | POSTMARK<br>OR DATE   |
| SENT TO  |  |   |
| STREET AND NO.   |  |   |
| CITY AND STATE   |  |   |
| If you want a return receipt, check which<br><input type="checkbox"/> 10¢ shows to whom and when delivered |  | If you want restricted delivery, check here<br><input type="checkbox"/> 50¢ fee |
| <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered                              |  |   |
| FEES ADDITIONAL TO 20¢ FEE   |  |   |
| POD Form 3800<br>Apr 1960  |  | SEE OTHER SIDE  |

No. 859004

|  |  |   |
|--|--|---|
| RECEIPT FOR CERTIFIED MAIL—20¢   |  | POSTMARK<br>OR DATE   |
| SENT TO  |  |   |
| STREET AND NO.   |  |   |
| CITY AND STATE   |  |   |
| If you want a return receipt, check which<br><input type="checkbox"/> 10¢ shows to whom and when delivered |  | If you want restricted delivery, check here<br><input type="checkbox"/> 50¢ fee |
| <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered                              |  |   |
| FEES ADDITIONAL TO 20¢ FEE   |  |   |
| POD Form 3800<br>Apr 1960  |  | SEE OTHER SIDE  |

No. 859006

|  |  |   |
|--|--|---|
| RECEIPT FOR CERTIFIED MAIL—20¢   |  | POSTMARK<br>OR DATE   |
| SENT TO  |  |   |
| STREET AND NO.   |  |   |
| CITY AND STATE   |  |   |
| If you want a return receipt, check which<br><input type="checkbox"/> 10¢ shows to whom and when delivered |  | If you want restricted delivery, check here<br><input type="checkbox"/> 50¢ fee |
| <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered                              |  |   |
| FEES ADDITIONAL TO 20¢ FEE   |  |   |
| POD Form 3800<br>Apr 1960  |  | SEE OTHER SIDE  |

No. 859009

|  |  |   |
|--|--|---|
| RECEIPT FOR CERTIFIED MAIL—20¢   |  | POSTMARK<br>OR DATE   |
| SENT TO  |  |   |
| STREET AND NO.   |  |   |
| CITY AND STATE   |  |   |
| If you want a return receipt, check which<br><input type="checkbox"/> 10¢ shows to whom and when delivered |  | If you want restricted delivery, check here<br><input type="checkbox"/> 50¢ fee |
| <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered                              |  |   |
| FEES ADDITIONAL TO 20¢ FEE   |  |   |
| POD Form 3800<br>Apr 1960  |  | SEE OTHER SIDE  |



GOVERNOR  
EDWIN L. MECHEM  
CHAIRMAN

State of New Mexico  
**Oil Conservation Commission**

LAND COMMISSIONER  
E. S. JOHNNY WALKER  
MEMBER



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

P. O. BOX 871  
SANTA FE

April 19, 1962

Mr. George Verity  
Verity, Burr & Cooley  
Attorneys at Law  
152 Petroleum Center Building  
Farmington, New Mexico

Re: CASE NO. 2446, 2415 and 2416  
ORDER NO. R-2068-B, R-2150-A and  
APPLICANT: R-2151-A  
Southwest Production Company

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

ir/

Carbon copy of order also sent to:

Hobbs OCC x  
Artesia OCC     
Aztec OCC x

OTHER Mr. Howard Bratton  
Mr. George Selinger

Mr. Guy Buell and Mr. Garrett Whitworth

*File in Case No. 2415*

SOUTHWEST PRODUCTION COMPANY  
3108 SOUTHLAND CENTER  
DALLAS 1, TEXAS

JOSEPH P. DRISCOLL

RIVERSIDE 8-8388

JOHN H. HILL

May 15, 1962

New Mexico Oil Conservation Commission  
Box 871  
Santa Fe, New Mexico

Re: SWP-39, Case No. 2415, Order No. R-2150-A  
(Forced Pooling, Pearl Wilkes Well,  
E/2, Sec. 14-30N-12W)

Gentlemen:

Reference is made to the above-described order of the New Mexico Oil Conservation Commission providing for the forced pooling of all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool in the E/2 of Section 14, Township 30N, Range 12W, N.M.P.M., San Juan County, New Mexico, and the dedication of such unit to the Pearl Wilkes Well located thereon.

Pursuant to such order, there is attached an itemized current schedule of well costs. A copy of this schedule has been sent to each known non-consenting working interest owner in the subject unit, in accordance with order. Each such person has been advised of his right to pay his share of costs in such well.

Sincerely yours,

  
Joseph P. Driscoll

JPD/a

encls

DOCKET: REGULAR HEARING - WEDNESDAY - FEBRUARY 14, 1962

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

- ALLOWABLE:**
- (1) Consideration of the oil allowable for March, 1962.
  - (2) Consideration of the allowable production of gas for March, 1962, from ten prorated pools in Lea and Eddy Counties, New Mexico, also consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for March, 1962.

CASE 2415: (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2415, Order No. R-2150, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 14, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include the unknown heirs of Abas Hassan, the unknown heirs of D. M. Longstreet, and Robert E., Alice L. and Samuel G. Goodwin, or their unknown heirs.

CASE 2416 (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2416, Order No. R-2151, relating to the force pooling of mineral interests in the Flora Vista-Mesa-verde Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include Roy Rector, O. G. Shelby, Dwight L. Millett, Myron H. Dale, George T. Dale, and Julian Coffey.

CASE 2446 (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2446, Order No. R-2068-A, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include Roy Rector, O. G. Shelby, Dwight L. Millett, Myron H. Dale, George T. Dale, and Julian Coffey.



CASE 2453: (De Novo)

Application of Southwest Production Company for a hearing de novo in Case No 2453, Order R-2152, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 7, Township 30 North, Range 11 West, San Juan County, New Mexico. Interested parties include Harold M. and Maleta Y. Brimhall.

CASE 2494:

Southeastern New Mexico nomenclature case calling for an order creating new pools, extending, abolishing and contracting certain existing pools and changing pool name in Eddy, Lea and Roosevelt Counties, New Mexico.

(a) Create a new gas pool for Devonian production, designated as the North Bell Lake-Devonian Gas Pool and described as:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM  
Section 6: SE/4

(b) Create a new gas pool for Morrow production, designated as the Cedar Lake-Morrow Gas Pool and described as:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 36: NE/4

(c) Create a new oil pool for Seven Rivers production, designated as the East Empire Yates-Seven Rivers Pool, and described as:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 27: S/2

(d) Create a new oil pool for Devonian production, designated as the North Justis-Devonian Pool, and described as:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM  
Section 2: NE/4

(e) Create a new oil pool for Delaware production, designated as the East Mason-Delaware Pool, and described as:

TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPM  
Section 16: SW/4

(f) Create a new oil pool for Queen production, designated as the West McMillan Seven Rivers-Queen Pool and described as:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM  
Section 11: SE/4

(g) Create a new oil pool for Seven Rivers production, designated as the Palmillo-Seven Rivers Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM  
Section 18: NW/4

(h) Create a new oil pool for Bone Springs production, designated as the Quail Ridge-Bone Springs Pool, and described as:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM  
Section 21: NW/4

(i) Create a new gas pool for Morrow production, designated as the North Quail Ridge-Morrow Gas Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM  
Section 7: NE/4

(j) Create a new gas pool for Pennsylvanian production, designated as the West Tonto-Pennsylvanian Gas Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Section 18: NW/4

(k) Create a new oil pool for Pennsylvanian production, designated as the North Williams-Pennsylvanian Pool and described as:

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM  
Section 16: NW/4

(l) Change the name of the Greenwood-Wolfcamp Pool, Eddy County, New Mexico to Shugart-Wolfcamp Pool, Eddy County, New Mexico, comprising the following described acreage:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 27: NE/4

- (m) Abolish the McMillan-Seven Rivers Pool comprising:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM

Section 31: E/2 SE/4, SE/4 NE/4

Section 32: SW/4, S/2 NW/4

- (n) Contract the Empire (Yates-Seven Rivers) Pool by the deletion of the following described Area:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Section 16: All

Section 17: S/2

Section 20: N/2

Section 21: W/2 & SE/4

- (o) Contract the Leo Queen-Grayburg Pool by the deletion of the following described area:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Section 12: S/2 SW/4

Section 13: W/2

Section 14: SE/4

Section 16: S/2

Section 21: NW/4

Section 23: E/2

- (p) Contract the Loco Hills-Queen Pool by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 30: SE/4

- (q) Contract the Square Lake Grayburg-San Andres Pool by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 9: SW/4 & W/2 SE/4

- (r) Extend the Anderson Ranch-Wolfcamp Pool to include:

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM  
Section 28: S/2 SW/4

- (s) Extend the Artesia Queen-Grayburg-San Andres Pool to include:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 32: NE/4

- (t) Extend the Caprock-Queen Pool to include:

TOWNSHIP 13 SOUTH, RANGE 31 EAST, NMPM  
Section 10: SE/4

- (u) Extend the Cruz-Delaware Pool to include:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM  
Section 24: SE/4

- (v) Extend the Dog Canyon-Grayburg Pool to include:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM  
Section 27: SW/4 NE/4  
Section 34: NW/4 NW/4

- (w) Extend the Dollarhide-Queen Pool to include:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM  
Section 24: NE/4

- (x) Extend the Drinkard Pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
Section 30: E/2 NW/4

- (y) Extend the Empire-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 50: S/2 NE/4

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM  
Section 16: NW/4 SE/4

- (z) Extend the Jenkins-Wolfcamp Pool to include:

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM  
Section 10: N/2 NW/4

- (aa) Extend the Lea-Devonian Pool to include:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM  
Section 11: SE/4

- (bb) Extend the Loco Hills-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 21: SE/4

- (cc) Extend the Loco Hills (Grayburg-San Andres) Pool to include:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM  
Section 19: E/2 SE/4

- (dd) Extend the Lusk-Strawn Pool to include:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM  
Section 20: NW/4

- (ee) Extend the Maljamar Pool to include:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM  
Section 32: SE/4

- (ff) Extend the Maljamar-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM  
Section 28: E/2

- (gg) Extend the East Millman-Seven Rivers Pool to include:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 28: NE/4

- (hh) Extend the Milnesand-San Andres Pool to include:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM  
Section 13: S/2 NE/4

- (ii) Extend the Paduca-Delaware Pool to include:

TOWNSHIP 25 SOUTH, RANGE 32 EAST, NMPM

Section 10: W/2 NE/4

Section 28: N/2 SW/4

- (jj) Extend the Parallel-Delaware Pool to include:

TOWNSHIP 20 SOUTH, RANGE 31 EAST, NMPM

Section 26: NW/4

Section 27: NE/4

- (kk) Extend the Pearl-Queen Pool to include:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM

Section 9: NW/4 NW/4

- (ll) Extend the Russell Pool to include:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 22: SE/4 SE/4

Section 27: E/2 NE/4

- (mm) Extend the North Skaggs-Drinkard Gas Pool to include:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 5: SW/4

- (nn) Extend the Vandagriff-Keyes Gas Pool to include:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM

Section 33: NE/4

- (oo) Extend the Whites City-Pennsylvanian Gas Pool to include:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Section 20: E/2

CASE 2495:

Northwestern New Mexico nomenclature case calling for an order extending certain existing pools in Rio Arriba, San Juan and Sandoval Counties, New Mexico.

- (a) Extend the Ballard-Pictured Cliffs Pool to include:

TOWNSHIP 26 NORTH, RANGE 8 WEST, NMPM

Section 13: NW/4

- (b) Extend the Tapacito-Pictured Cliffs Pool to include:

TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM

Section 26: NW/4

- (c) Extend the Blanco-Mesaverde Pool to include:

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM

Section 18: W/2

TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM

Section 9: E/2

Section 10: W/2

Section 15: W/2

- (d) Extend the Cha Cha-Gallup Oil Pool to include:

TOWNSHIP 29 NORTH, RANGE 14 WEST, NMPM

Section 25: E/2 NW/4

- (e) Extend the Escrito-Gallup Oil Pool to include:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM

Section 31: W/2 NE/4

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM

Section 22: E/2 NE/4

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM

Section 12: W/2 SE/4

- (f) Extend the Horseshoe-Gallup Oil Pool to include:

TOWNSHIP 30 NORTH, RANGE 15 WEST, NMPM

Section 19: W/2 NW/4

TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM

Section 24: NE/4 NE/4

Docket No. 5-62

- (g) Extend the Totah-Gallup Oil Pool to include:

TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM

Section 20: E/2 SE/4

Section 21: W/2 SW/4



VERITY, BURR & COOLEY  
ATTORNEYS AND COUNSELORS AT LAW  
SUITE 152 PETROLEUM CENTER BUILDING  
1962 JAN 15 PM 4:01 6

January 11, 1962

GEO. L. VERITY  
JOEL B. BURR, JR.  
WM. J. COOLEY

NORMAN B. THAYER

TELEPHONE 325-1702

New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Re: Case No. 2415 - Order No.  
R-2150 force pooling E $\frac{1}{2}$  of  
Sec. 14, T-30-N, R-12-W, NMPM,  
San Juan County, N.M.

Case No. 2453 - Order No. R-2152  
force pooling the E $\frac{1}{2}$  of Sec. 7,  
T-30-N, R-11-W, NMPM, San Juan  
County, N.M.

Case No. 2416 - Order No. R-2151  
force pooling the E $\frac{1}{2}$  of Sec. 22,  
T-30-N, R-12-W, NMPM, San Juan  
County, N.M.

Gentlemen:

Enclosed please find original and two copies of Application for De  
Novo Hearing in regard to the three cases referred to above.

Very truly yours,

VERITY, BURR & COOLEY

By

  
Geo. L. Verity

GLV/kp  
Enclosures

*Docto  
miles  
2/1/62*

**JACK D. JONES**

4012 CEDAR DRIVE  
FARMINGTON, NEW MEXICO

February 19, 1962

PHONE DAVIS 5-1463

1962 FEB 21 PM 1 25

State of New Mexico  
Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Gentlemen:

Pursuant to the request of your attorney, Mr. Morris, in the application of Southwest Production Company for the forced pooling of certain interests in the East Half (E $\frac{1}{2}$ ) of Section 14, Township 30 North, Range 12 West, N.M.P.M., I am setting out below the names and addresses, as nearly as I have been able to determine, of the heirs of D. M. Longstreet. The information is as follows:

Mrs. Rosa Probst  
427 South 16th Street  
Payette, Idaho

Mrs. Helen Romine  
Route 1, Box 60  
Payette, Idaho

Edna Wilemon  
Silverton, Colorado

Jim Slaughter  
Marion Slaughter  
(Addresses unknown)

Shirley Barr  
Payette, Idaho

Donald Longstreet  
(Address unknown)

Albert Probst  
Flora Vista, New Mexico

Mrs. Nancy Lamb (widow)  
Payette, Idaho

Sherman Longstreet  
215 Smith Street  
Nampa, Idaho

Mrs. Mary Jordan  
2304 East Spruce Avenue  
Flagstaff, Arizona

Jack Slaughter  
4512 Homes Street  
Boise, Idaho

Edna Longstreet  
852 5th Avenue  
Durango, Colorado

Harvey Probst  
2001 Crestview  
Durango, Colorado

Evelyn Smouse  
P. O. Box 136  
Bloomfield, New Mexico

Very truly yours,

*Jack D. Jones*  
Jack D. Jones

JDJ/hs  
cc: Southwest Production Company

1962 APR 25 PM 4:15  
VERITY, BURR & COOLEY  
ATTORNEYS AND COUNSELORS AT LAW  
SUITE 152 PETROLEUM CENTER BUILDING  
FARMINGTON, NEW MEXICO

April 24, 1962

TELEPHONE 325-1702

GEO. L. VERITY  
JOEL B. BURR, JR.  
WM. J. COOLEY

NORMAN S. THAYER  
RAY B. JONES

New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Re: Interpretation Orders Nos. R-2068-B, R-2150-A,  
R-2151-A, and R-2152-A.

Gentlemen:

This will acknowledge receipt of copies of each of the above referred to Orders.


Paragraph 10 of the Findings of each of these Orders provides as follows: "That it is improper for operating costs to be assessed as a percentage of well costs; accordingly \$75.00 per month should be fixed as the cost of operating the subject well and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production." Paragraph 4 of the Order of each of the above referred to Orders incorporates the above Findings into the Order portion of each Order.

It is, of course, obvious that the specific portion of the Orders referred to is making reference to supervision costs as there are, of course, many direct operating costs, and I am advised by Mr. R. S. Morris, General Counsel for the Commission, that this is what is intended by the language used, and, in light of this interpretation, Southwest Production Company will accept this portion of the Orders and make charges to the respective wells accordingly.

Yours very truly,

VERITY, BURR & COOLEY

By

  
Geo. L. Verity

GLV/kp

cc: New Mexico Oil Conservation Commission  
Aztec, New Mexico

Southwest Production Company  
Dallas, Texas

Case  
2415

Southwest Production Company  
3108 Southland Center  
Dallas 1, Texas

Cost Statement

Forced Pooling Order No. R-2150-A

Lease Name:

Pearl Wilkes No. 1 (DK)  
E/2, Sec. 14-30N-12W  
San Juan County, N. M.

| <u>Invoice<br/>No.</u> | <u>Description</u>  | <u>Amount</u>   |
|------------------------|---|---|
| 73-61                  | Aspen Drilling Co., 6-21-61<br>Contract drilling  | \$ 32,500.00<br>32,500.00*  |
| -                      | San Juan Engineering Company, 5-4-61<br>Stake location and survey elevation<br>2% N. M. School Tax  | 100.00<br>2.00<br>102.00*   |
| 42285                  | Atomic Sign Service, 6-10-61<br>Metal well sign<br>Tax  | 12.50<br>.38<br>12.88*  |
| 6820                   | Little Tool Company, Inc., 4-27-61<br>Aluminum pump out plug<br>Tax   | 10.50<br>.32<br>10.82*  |
| 0-3006                 | C. L. Farmer & Co., 6-23-61<br>Haul 4-1/2" casing, 71,500# @ 1.91   | 1,365.65<br>1,365.65*   |
| 54713                  | Industrial Supply Company, 6-27-61<br>6700' 3" of 4-1/2" 10.50# J-55 8rt R-2API<br>casing ST/C<br>2% N. M. Sales Tax  | 7,632.81<br>152.66<br>7,785.47*   |
| 21724                  | Schlumberger Well Surveying Corp., 6-19-61<br>Induction electrical logging run 1<br>Service charge<br>6711' Depth chg. @ .07<br>6711' Operator chg. @ .08<br>State Tax<br>Sonic logging run 1<br>6709' Depth chg. @ .07<br>1759' Operator chg. @ .07<br>State Tax | 150.00<br>469.77<br>536.88<br>23.13<br>469.63<br>123.13<br>11.86<br>1,784.40* |
| 29746                  | Baker Oil Tools, Inc., 6-29-61<br>#43A Baker packing element<br>2% N. M. State Sales Tax  | 26.20<br>.52<br>26.72*  |
| S501408                | Halliburton Co., 6-19-61<br>1-4-1/2" 8R D.V. Mult. Stage Cementer<br>N. M. Tax  | 373.60<br>7.47<br>381.07*   |

| Invoice No.                       | Description   | Amount                          |
|-----------------------------------|---|---------------------------------|
| CS<br>363983                      | Halliburton Co., 6-20-61<br>Cementing 4 1/2" casing @ 6710'<br>N. M. Tax  | \$ 669.60<br>13.39<br>682.99*   |
| BC<br>520713                      | Halliburton Co., 6-20-61<br>Cement, Poymix, Gel, and Halad<br>N. M. Tax   | 981.92<br>19.64<br>1,001.56*    |
| 11655                             | The Western Co., 6-24-61<br>Acidizing and fracing<br>2% N. M. Sales Tax   | 5,972.00<br>116.64<br>6,088.64* |
| T192953                           | Halliburton Co., 6-26-61<br>Squeeze job @ 6479'-testing<br>N. M. Tax  | 270.00<br>5.40<br>275.40*       |
| CS<br>373740                      | Halliburton Co., 6-26-61<br>Squeeze job on 4-1/2" casing @ 6479'<br>N. M. Tax   | 431.50<br>8.63<br>440.13*       |
| BC<br>520747                      | Halliburton Co., 6-26-61<br>Cement and Halad for squeeze<br>N. M. Tax   | 265.00<br>5.30<br>270.30*       |
| 15155                             | Lane Wells Co., 6-26-61<br>E Gun perforations, 72 holes from 6552' to 6528',<br>30 holes from 6504' to 6494', 18 holes from<br>6485' to 6479'<br>2% N. M. Tax | 1,393.00<br>27.86<br>1,420.86*  |
| 15449                             | Lane Wells Co., 7-3-61<br>Kone perforations, 68 holes from 6547' to 6477'<br>E Gun perforations, 68 holes from 6547' to 6477'<br>2% N. M. Tax                 | 1,508.40<br>30.17<br>1,538.57*  |
| Statement F. P. Crum, Jr., 7-1-61 | Consultant geologist June 19 and 20 @ \$50 per day<br>2% N. M. School Tax   | 100.00<br>2.00<br>102.00*       |
| 11747                             | Western Company, 6-28-61<br>Acidizing and fracing<br>2% N. M. Sales Tax   | 3,828.75<br>73.78<br>3,902.53*  |
| 29978                             | Baker Oil Tools, Inc., 7-6-61<br>Packing element, slip stopring, 2-slips, 2 cap<br>screws<br>2% N. M. Sales Tax   | 83.40<br>1.67<br>85.07*         |
| 670                               | Lohmann Oil Well Service, Inc., 7-7-61<br>Completion Unit June 23 thru June 30<br>2% N. M. Tax  | 5,476.95<br>109.54<br>5,586.49* |

| <u>Invoice<br/>No.</u> | <u>Description</u>   | <u>Amount</u>   |
|------------------------|--|---|
| T-6-<br>19332          | Industrial Supply Company, 7-14-61<br>6600' of 1-1/2" IORD Non EUE 2.75# JCW-50 tubing<br>T & C W/J-55 beveled couplings<br>Freight charges<br>2% N. M. Sales Tax  | \$ 2,868.36<br>335.22<br>64.07<br>3,267.65*   |
| 9274                   | Arc Welding Works, 6-21-61<br>Cut off 4-1/2" casing 3 hrs. @ \$7<br>N. M. Tax  | 21.00<br>.42<br>21.42*  |
| T-6-<br>16860          | Industrial Supply Company, 7-18-61<br>Casinghead housing 10"S/600x9-5/8" OD 8rd<br>R-53 Steel ring gaskets<br>16-Studs 1-1/4"x9-1/4"<br>32 - Hex nuts 1-1/4"<br>2" Nordstrom plug valve<br>2" Ex. hvy. SMLS bull plug<br>2"x6" Hvy. SMLS nipple<br>Freight charge on 385# @ 4.25; 70# @ 3.16<br>2% N. M. Sales Tax                       | 194.27<br>7.26<br>25.92<br>14.40<br>38.28<br>2.30<br>1.03<br>18.57<br>6.04<br>308.07* |
| T28017                 | Industrial Supply Company, 7-19-61<br>3-3/4" OW tricone bit<br>Freight charge 10# @ 4.43<br>2% N. M. Sales Tax   | 95.63<br>.44<br>1.92<br>97.99*  |
| 19324                  | Industrial Supply Company, 7-27-61<br>"CA" slip & seal assy. 10"x4-1/2" incl.<br>allen wrench<br>Spool tubing head "F" 10"x6" 2000# WP W/2-2"<br>studded outlets<br>"R" Seal assy. 10"x4-1/2"<br>Bit pilot 10"x4-1/2" incl. retainer wire<br>2-Comp. flanges 2" 2000# WP"LP<br>Bull plug, gaskets, studs, hex nuts<br>2% N. M. Sales Tax | 235.40<br>344.50<br>80.01<br>26.45<br>24.54<br>23.15<br>14.68<br>748.73*              |
| 19325                  | Industrial Supply Company, 7-27-61<br>Valve tree cameron, single string, solid<br>block bottom w/nipples, tees, gaskets,<br>studs and nuts<br>Comp. flange 2"-2000# thd.<br>Freight allowance 1%<br>2% N. M. Sales Tax   | 586.32<br>15.31<br>(5.50)<br>11.92<br>608.05*   |
| 19326                  | Industrial Supply Company, 7-27-61<br>Gaskets, comp. flange, nipples, tee, bull plug,<br>union, and welds<br>2% N. M. Sales Tax  | 103.88<br>2.08<br>105.96*   |
| 19327                  | Industrial Supply Company, 7-27-61<br>"FBB" Tubing hanger 6"x2-3/8"<br>2-Marsh pressure gauges #3000<br>Swage 2" EUE pin x 1-1/2" 10 rd non EUE box<br>Bull plug, angle needle valve, straight needle<br>valve<br>Freight charges on 1480# @ 4.25<br>2% N. M. Sales Tax  | 59.92<br>47.28<br>22.33<br>25.99<br>62.90<br>4.37<br>222.79*                          |

| <u>Invoice<br/>No.</u> | <u>Description</u>  | <u>Amount</u> |
|------------------------|---|---------------|
| 3416                   | Panhandle Steel Products Co., 7-31-61<br>16V-170, 16"x7-1/2" Production unit w/3-phase<br>separator all std. accessories, submerged<br>in 30"x7" indirect heater w/split coil bundle<br>w/submerged choke, 3-phase controls all<br>mounted and piped up | \$ 3,911.07   |
|                        | 2 Reinforced concrete foundation blocks   | 40.00         |
|                        | 2% N. M. State Tax  | 79.02         |
|                        |   | 4,030.09*     |
| 3416                   | Panhandle Steel Products Co., 8-4-61<br>210 bbl. 1/4-3-API flat bottom welded<br>steel storage tank   | 1,070.33      |
|                        | 1" rolling line installed   | 34.32         |
|                        | 2" downcomer  | 21.84         |
|                        | 4' API landing  | 31.36         |
|                        | API stairway for 15' high tank  | 137.65        |
|                        | Set of tar paper  | 4.16          |
|                        | 2" #920-S0 Engrdo stack valve, 4 oz.  | 37.75         |
|                        | 2% N. M. State Tax  | 26.75         |
|                        |   | 1,364.16*     |
| 16894                  | Industrial Supply Company, 7-22-61<br>2-1/2" OD 8rd M&F Baker differential fillings<br>collar   | 151.00        |
|                        | Baker-Lok thread locking compound   | 8.50          |
|                        | 4-1/2" S. J. Cement guide shoe  | 28.60         |
|                        | 200' of 4-1/2" Clark rotating scratchers  | 340.00        |
|                        | 15 - 4-1/2" Clark hinged centralizers @ 15.50 ea.   | 232.50        |
|                        | 20 - 4-1/2" Clark cement spinners @ 8.50 ea.  | 170.00        |
|                        | 3 - 4-1/2" Baker metal petal baskets  | 154.05        |
|                        | 2% N. M. Sales Tax  | 21.69         |
|                        |   | 1,106.34*     |
| 974                    | Beasley's Hot Shot Service, 7-21-61<br>Haul mud pump and tubing   | 30.00         |
|                        | 2% N. M. State Tax  | .60           |
|                        |   | 30.60*        |
| 7162                   | Monarch Construction Co., 8-15-61<br>Lay flow lines, connect tank, fence pit  | 193.00        |
|                        |   | 193.00*       |
| 7220                   | Monarch Construction Co., 8-22-61<br>Put water and glycol in separator  | 26.70         |
|                        |   | 26.70*        |
| 28785                  | Industrial Supply Co., 8-31-61<br>1 drum diethylene glycol  | 118.09        |
|                        | 2% N. M. Sales Tax  | 2.36          |
|                        |   | 120.45*       |
| 28773                  | Industrial Supply Co., 8-31-61<br>Nipples, ells, tees, unions, plugs  | 40.18         |
|                        | 2% N. M. Sales Tax  | .80           |
|                        |   | 40.98*        |
| 28772                  | Industrial Supply Co., 8-31-61<br>Nipples, plug valves, locking handles, bull plugs   | 80.97         |
|                        | 2% N. M. Sales Tax  | 1.62          |
|                        |   | 82.59*        |
| 28771                  | Industrial Supply Co., 8-31-61<br>21.20' of 1" Std. blk API line pipe T&C   | 5.57          |
|                        | 165.90' of 2" Std. blk API line pipe T&C  | 90.86         |
|                        | 2% N. M. Sales Tax  | 1.93          |
|                        |   | 98.36*        |

| <u>Invoice<br/>No.</u> | <u>Description</u>  | <u>Amount</u>   |
|------------------------|---|---|
| J10-3                  | Drilling well overhead for the period June 7 thru<br>July 30 (54/30 of \$250)   | \$ 449.82<br>449.82*  |
| J10-10                 | Direct salary and auto expense charges<br>stake location and make settlement for<br>surface damages 4 hrs. @ 7.41<br>Auto expense 35 mi. @ 10¢<br>Drilling engineer and geologist; checking<br>samples to TD well and run casing<br>60 hrs. @ 6.41<br>Auto expense 65 mi. @ 10¢<br>Completion engineer; perforate, sand-water<br>frac and complete 182 hrs. @ 7.41<br>Auto expense 150 mi. @ 10¢<br>Production foreman; clean well, potential<br>test, set production equipment, clean up<br>location 52 hrs. @ 4.43<br>Auto expense 35 mi. @ 10¢ | 29.64<br>3.50<br><br><br>384.60<br>6.50<br>1,348.62<br>15.00<br><br>230.36<br>3.50<br>2,021.72* |
|                        | TOTAL   | <u>\$ 80,309.02</u>   |



MAIN OFFICE OGC  
BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO  
1962 JAN 15 PM 1:16

IN THE MATTER OF:

THE APPLICATION OF SOUTHWEST )  
PRODUCTION COMPANY FOR AN ORDER )  
FORCE POOLING THE BASIN-DAKOTA )  
FORMATION UNDERLYING THE EAST )  
HALF (E $\frac{1}{2}$ ) OF SECTION 14, TOWNSHIP )  
30 NORTH, RANGE 12 WEST, N.E.P.M. )  
SAN JUAN COUNTY, NEW MEXICO. )

Case No. 2415

APPLICATION FOR DE NOVO HEARING

Comes now the applicant, SOUTHWEST PRODUCTION COMPANY, a co-partnership consisting of Joseph P. Driscoll and John H. Hill, and requests that it be granted de novo hearing with regard to the captioned application, and in support thereof alleges as follows:

1. That in its application for force pooling order on file herein it alleged and stated that it was the owner of a working interest in the Dakota Formation underlying the captioned acreage; that it had drilled a well to said Dakota Formation at a location within said acreage, and that it was entitled to have certain unleased interests underlying such acreage force pooled making it the operator of the force pooled unit, and granting to it the right to produce the entire 320 acres and retain 7/8ths of all products allocated to the interests which it does not have leased underlying such unit until such time as it has been reimbursed in an amount equal to 125% of its actual costs of drilling, completing, equipping and operating said well, plus a reasonable compensation for the supervision thereof.

2. That applicant was entitled to all of the relief requested in its application, but that in Order No. R-2150 entered by the Commission on the 21st day of December, 1961, the Commission refused to grant the pooling application of the applicant in the following respects:

(a) It refused to pool the contingent interest of Robert E. Goodwin, Alice L. Goodwin and Samuel Glenn Goodwin, who may have an unleased interest in the unit wherein applicant has requested

force pooling.

(b) It refused to grant to applicant the right to produce and retain 7/8ths of any and all production until such time as it had been reimbursed in an amount equal to 125% of its actual costs of drilling, completing, equipping and operating said well, plus a reasonable compensation for the supervision thereof, granting to the applicant only the right to retain 7/8ths of the production on certain interests which it allowed to be pooled until such time as it had received 100% of said sums, on the ground that the well to produce such unit had been drilled and tested prior to the time that the application was filed; that the Commission's Order thereby refused to grant to the applicant a 25% risk factor for risk which it incurred in drilling and completing said well, and that applicant is entitled to such risk factor under the statutes of the State of New Mexico, and the rules of this Commission.

(c) That the above referred to Order granted to applicant the right to withhold the proceeds from production with respect to 7/8ths of each non-consenting unleased interest until such time as each interest's share of the costs of said well have been recovered plus 10% thereof as a reasonable charge for supervision; that limiting such supervision allowance to 10% of the costs of said well does not adequately compensate the applicant for its supervision costs throughout the entirety of the operation of the unit, and that such Order should have granted not less than 10% of the production attributable to 7/8ths of each non-consenting unleased interest until depletion of said well by reason of the fact that supervision will be required throughout the life of the production from the unit, and will not be limited to the period of time while costs of drilling and completing will be recovered.

3. That to protect applicant's correlative rights and prevent

waste, applicant is entitled to all of the relief it requested in its application, and that it should be granted a de novo hearing with regard to its application, and upon conclusion thereof this Commission should enter an Order force pooling all unleased interests in the Basin-Dakota Gas Pool underlying the above described lands making the applicant operator of the gas proration production unit thereunder, and authorizing it to retain 7/8ths of all production from all non-consenting interest owners in said unit until such time as it has received 125% of all of its costs of drilling, completing and operating said well plus a reasonable percentage of the production throughout the life of said unit for supervision thereof.

WHEREFORE, applicant prays that it be granted a de novo hearing with regard to its application; that due notice thereof be given in accord with the laws of the state of New Mexico and the rules of this Commission; that from the evidence to be adduced thereat this Commission enter its Order force pooling all unleased interests in the Basin-Dakota Gas Pool underlying the above described lands making the applicant operator of the gas proration production unit thereunder, and authorizing it to retain 7/8ths of all production from all non-consenting interest owners in said unit until such time as it has received 125% of all of its costs of drilling, completing and operating said well plus a reasonable percentage of the production throughout the life of said unit for supervision thereof; together with such other and further provisions as may be necessary in order to protect the correlative rights of the applicant and prevent waste from the above described lands.

VERITY, BURR & COOLEY  
Attorneys for Applicant

By 

Geo. L. Verity  
152 Petroleum Center Building  
Farmington, New Mexico