

CASE 2699: Application of SOUTHWEST
PROD.CO. for compulsory pooling,
Basin-Dakota (E/2) San Juan County.

2699

tion, Transcript,
Exhib. Etc.

Case 2699

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

GEO. L. VERITY
JOEL B. BURR, JR.
WM. J. COOLEY
RAY B. JONES

December 3, 1963

DEC 16 PM 1:29

TELEPHONE 325-1702

Case file

N. M. Oil Conservation Commission
State Capitol Building
Santa Fe, New Mexico

Gentlemen:

We enclose Dismissal of Application of
Southwest Production Company with regard
to the Basin-Dakota Formation, which we
would appreciate your filing in this
matter.

Very truly yours,

VERITY, BURR, COOLEY & JONES

By *[Signature]*
Geo. L. Verity

GLV/ph
encl/1

100 DEC 6 PM 1 29

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 BASIN-DAKOTA)
FORMATION UNDERLYING THE EAST)
HALF (E/2) OF SECTION 3, TOWNSHIP)
30 NORTH, RANGE 11 WEST, SAN JUAN)
COUNTY, NEW MEXICO.)

No. _____

DISMISSAL

COMES NOW the applicant, Southwest Production Company, a
co-partnership consisting of Joseph P. Driscoll and John H. Hill,
and moves the Commission to dismiss the above styled and numbered
pooling application.

Respectfully submitted,

VERITY, BURR, COOLEY & JONES

By


Geo. L. Verity

Attorneys for applicant
Southwest Production Company

VERITY, BURR, COOLEY & JONES
ATTORNEYS AND COUNSELORS AT LAW
SUITE 1511 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO

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

MAIN OFFICE OCC

1963 OCT 11 PM 1:24

October 10, 1963

GEO. L. VERITY
JOEL B. BURR, JR.
WM. J. COOLEY
RAY B. JONES

TELEPHONE 325-1702

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

Attention: Mr. J. M. Durrett, Jr.

Re: The application of Southwest
Production Company for an order
force pooling the Basin-Dakota
formation underlying the E/2 of
Section 3, T-30-N. R-11-W, N.M.P.M.
San Juan County, New Mexico

Gentlemen:

This will acknowledge Mr. Durrett's letter of September 4, 1963, regarding the captioned application and pointing out that the previous order had been entered by the Commission force pooling the captioned acreage and stating that the Commission believes the previous order should cover the matter as it feels force pooling cases are actions in rem, and therefore declines to docket the application.

As I explained to Mr. Durrett on the telephone, the applicant affirmatively represented to the Commission at the hearing held with regard to the previous application for force pooling the captioned acreage, that Mr. Tom Bolack had agreed to join in the drilling of the well for the unit and pay his proportionate share of the costs of drilling the same; and that because of this the force pooling asked for from the Commission would not effect his 40 acre interest. Because of such representation re Mr. Bolack, Southwest Production Company did not comply with paragraph No. 7 of your Order No. 2709, force pooling the captioned acreage in so far as Mr. Bolack was concerned. Which paragraph required that the applicant would furnish non-consenting working

~~Order R-2382~~
Order R-2377
Case - 2699

Page two
Oil Conservation Commission
10-10-63

interest owners with an itemized schedule of well costs. For these two reasons, it now becomes questionable that the above referred to Order is valid and effective as to Mr. Tom Bolack. For this reason, we have filed the above referred to application and request that it be docketed for hearing.

Very truly yours,

VERITY, BURR, COOLEY & JONES

By


Geo. L. Verity

GLV-gp

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

September 4, 1963

Mr. Wm. J. Cooley
Verity, Burr, Cooley & Jones
Attorneys at Law
Suite 125 Petroleum Center Building
Farmington, New Mexico

Re: The application of Southwest
Production Company for an Order
force pooling the Basin-Dakota
formation underlying the E/2 of
Section 3, T-30-N, R-11-W, N.M.P.M.,
San Juan County, New Mexico

Dear Jack:

As it is our opinion that compulsory pooling cases
are actions in rem, the Commission feels that it has pre-
viously determined the subject matter of the above appli-
cation and that the Commission should therefore not docket
the above case.

We will be happy to discuss this matter further with
you if you so desire.

Very truly yours,

J. M. DURRETT, Jr.
Attorney

JMD/esr

C
O
P
Y

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

GEO. L. VERITY
JOEL B. BURR, JR.
WM. J. COOLEY
RAY B. JONES

August 23, 1963

TELEPHONE 325-1702

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

*Case 2679
R-2377*

Re: The application of Southwest
Production Company for an Order
force pooling the Basin-Dakota
formation underlying the E/2 of
Section 3, T-30-N, R-11-W, N.M.P.M.
San Juan County, New Mexico

Gentlemen:

Enclosed are original and two copies of the above referenced
Application of Southwest Production Company.

Please set this matter for hearing as soon as possible.

Very truly yours,

VERITY, BURR, COOLEY & JONES

BY

Wm. J. Cooley
Wm. J. Cooley

WJC-gp
Encls.

*P.S. we force pooled these lands once before
but at that time Balack had orally agreed to
sign an operating agreement. It now develops
that he won't sign and we feel we should
make a new application since we did not
list him as an interested party or send him
notice of the previous application.
wjc*

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 BASIN-DAKOTA)
FORMATION UNDERLYING THE EAST)
HALF (E/2) OF SECTION 3, TOWNSHIP)
30 NORTH, RANGE 11 WEST, SAN)
JUAN COUNTY, NEW MEXICO.)

NO. _____

POOLING APPLICATION

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 oil and gas leases covering portions of the East Half (E/2) of Section 3, Township 30 North, Range 11 West, N. M. P. M., in San Juan County, New Mexico, and that it has drilled and completed a well in the Dakota formation in the East Half (E/2) of said Section 3, 845 feet from the North line and 835 feet from the East Line.

2. That the NE/4 NE/4 of the above described Section 3 is unleased, whose owners, Tom Bolack and Alice Bolack, his wife, have refused to join with the applicant in the drilling, completion and producing of the above described well and, although the applicant has made a reasonable effort to obtain oil and gas leases and/or the joinder of the owners of the unleased portion of the above described proration unit, it has been unable to obtain such leases and/or the joinder of the owners of the unleased portion of said unit, and the applicant, therefore,

desires that the interest of said persons be force pooled in accord with the statutes of the State of New Mexico and the rules and regulations of the Oil Conservation Commission of the State of New Mexico.

3. That applicant desires to dedicate the Basin-Dakota production from the above described well located in the above described Section 3 to the entire East Half (E/2) of Section 3, and that the Commission should constitute the applicant as the "Operator" of the pooled unit.

4. That applicant has undergone considerable risk in the drilling and completion of the above referred to 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 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 and equipping said well, plus a reasonable compensation for the supervision of the drilling and completion thereof, and a reasonable compensation for the operation thereof.

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

6. That a list of the interested parties in this application, together with their addresses, insofar as the same are known to the applicant, is set out on Exhibit "A" attached hereto and made a part hereof.

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 and regulations of this Commission, and the laws of the State of New Mexico, and that after hearing, from the evidence to be adduced thereat this Commission enter its order granting the application as above stated.

Respectfully submitted,

VERITY, BURR, COOLEY & JONES

By 

Wm. J. Cooley

Attorneys for applicant

Southwest Production Company

EXHIBIT "A"

Tom Bolack and
Alice Bolack

10 10 N. Dustin Avenue
Farmington, New Mexico

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 671
SANTA FE

November 28, 1962

Mr. George Verity
Verity, Burr & Cooley
152 Petroleum Center Building
Farmington, New Mexico

Re: Case No. 2699 and 2700
Order No. R-2377 and R-2378
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. 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

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 BASIN-DAKOTA)
FORMATION UNDERLYING THE EAST)
HALF (E $\frac{1}{2}$) OF SECTION 3, TOWNSHIP)
30 NORTH, RANGE 11 WEST, SAN)
JUAN COUNTY, NEW MEXICO.)

No. 2699

POOLING APPLICATION

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 oil and gas leases covering portions of the East Half (E $\frac{1}{2}$) of Section 3, Township 30 North, Range 11 West, N.M.P.M., in San Juan County, New Mexico, and that it has drilled and completed a well in the Dakota formation in the East Half (E $\frac{1}{2}$) of said Section 3, 845 feet from the North line and 835 feet from the East line.

2. That there are various parts of the East Half (E $\frac{1}{2}$) of the above described Section 3 that are unleased, whose owners have not agreed to join with the applicant in the drilling, completion and producing of the above described well and, although the applicant has made a reasonable effort to obtain oil and gas leases and/or the joinder of the owners of the unleased portions of the above described proration unit, it has been unable to obtain such leases and/or the joinder of the owners of the unleased portions of said unit, and the applicant, therefore, desires that the interest of any and all of said persons be force pooled in accord with the statutes of the State of New Mexico and the rules and regulations of the Oil Conservation Commission of the State of New Mexico.

3. That applicant desires to dedicate the Basin-Dakota production

from the above described well located in the above described Section 3 to the entire East Half (E½) of Section 3, and that the Commission should constitute the applicant as the "Operator" of the pooled unit.

4. That applicant has undergone considerable risk in the drilling and completion of the above referred to 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 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 and equipping said well, plus a reasonable compensation for the supervision of the drilling and completion thereof, and a reasonable compensation for the operation thereof.

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

6. That a list of the interested parties in this application, together with their addresses, insofar as the same are known to the applicant, is set out on Exhibit "A" attached hereto and made a part hereof.

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 and regulations of this Commission, and the laws of the State of New Mexico, and that after hearing, from the evidence to be adduced thereat this Commission enter its order granting the application as above stated.

Respectfully submitted,

VERITY, BURR & COOLEY

By 

Geo. L. Verity

Attorneys for applicant
Southwest Production Company

EXHIBIT "A"

Allen K. Brown

La Plata, New Mexico

J. G. Brown

Durango Highway
Aztec, New Mexico

Herbert D. Wright
Barbara Jane Wright

Aztec, New Mexico

Order # - 2377
Mailed 11/28/62
JR

EXHIBIT "A"

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. 2699
Order No. R-2377

APPLICATION OF SOUTHWEST PRODUCTION
COMPANY FOR COMPULSORY POOLING, 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 November 20, 1962, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 28th day of November, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Southwest Production Company, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool underlying the E/2 of Section 3, Township 30 North, Range 11 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 each non-consenting interest owner whose identity and address is known has been offered an opportunity to join with the applicant.

(5) That although the applicant 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.

-2-

CASE No. 2699

Order No. R-2377

(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 mineral interests, whatever they may be, within said unit.

(7) That the applicant proposes to dedicate the subject proration unit to the Zella Cailoway Well No. 1, located 845 feet from the North line and 835 feet from the East line of said Section 3 and completed in the Basin-Dakota Gas Pool.

(8) That the applicant should be allowed 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 has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(9) That \$65.00 per month should be fixed as the reasonable 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.

(10) 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.

(11) 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.

(12) That any non-consenting working interest owner not electing to pay his share of well costs within 30 days from the date said schedule is furnished him should have his share of the well costs withheld from production plus 25 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(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 the subject well and unit.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the E/2 of Section 3, Township 30 North, Range 11 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 Zella Calloway Well No. 1, located 845 feet from the North line and 835 feet from the East line of said Section 3.

(2) That Southwest Production Company is hereby designated the operator of the subject well and 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 has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(4) That \$65.00 per month is fixed as the reasonable 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

-4-

CASE No. 2699
Order No. R-2377

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.

(10) 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



E. L. Mechem

EDWIN L. MECHEM, Chairman

E. S. Walker

E. S. WALKER, Member

A. L. Porter, Jr.

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

esr/

Case 2689

Heard 11-20-62

Rec. 11-20-62

1. Grant SW. Prod. request for forced pooling of E/2 of 3-30 N-11 W. The dedicated well is their Jella Calloway #1 845 (N + T35/E), sec. 3.
2. Use usual. forced pooling rules with 125 % risk factor.

Wes A. McF.

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

October 29, 1962. PM 1 14

TELEPHONE 325-1702

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

NORMAN S. THAYER

RAY B. JONES

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

Re: The application of Southwest Production
Company for an order force pooling the
Basin-Dakota formation underlying the
E $\frac{1}{2}$ of Section 3, T-30-N, R-11-W,
N.M.P.M., San Juan County, New Mexico.

Gentlemen:


Enclosed please find the above referenced force pooling application
of Southwest Production Company.

Please set this matter for hearing as soon as possible.

Very truly yours,

VERITY, BURR & COOLEY

By


Geo. L. Verity

GLV/kp
Encs.

BOCKET MAILED

Date _____

FARMINGTON, N. M.
PHONE 325-1182

SANTA FI., N. M.
PHONE 933-3971

ALBUQUERQUE, N. M.,
PHONE 243-6691

EXAMINER HEARING

IN THE MATTER OF:

Application of Southwest Production Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force pooling all mineral interests in the Basin-Dakota Gas Pool underlying the E/2 of Section 3, Township 30 North, Range 11 West, San Juan County, New Mexico.

CASE 2699

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 2699.

MR. DURRETT: Application of Southwest Production Company for compulsory pooling, San Juan County, New Mexico.

MR. VERITY: George Verity, Verity, Burr and Cooley
for the applicant.

(Witness sworn.)

JACK D. JONES

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

DIRECT EXAMINATION

BY MR. VERITY:



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

Q Will you state your name, please?

A Jack D. Jones.

Q Mr. Jones --

MR. UTZ: Just a moment. Are there any other appearances to be made in this case? You may proceed.

Q (By Mr. Verity) Mr. Jones, what is your occupation?

A I'm an independent land man.

Q Are you familiar with the land situation as to the East Half of Section 3, Township 30 North, Range 11 West, San Juan County, New Mexico?

A Yes, sir.

Q Have you done work with regard to this 320-acre production unit for Southwest Production Company?

A I have done all the land work in this area.

Q Does Southwest have leases on the majority of the acreage in this unit?

A Yes, sir.

Q Does anyone else own any leases in this unit?

A Tom Bolack.

Q Has he joined?

A He has agreed to join. As of yet we haven't received the executed agreement from him.

Q Are there unleased portions in the area?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

A No.

Q Has Southwest drilled and completed a well in this unit?

A Yes, we have.

Q Where is it located?

A It's the Celia Callaway No. 1 well which is located in the Northeast, Northeast Quarter.

MR. UTZ: Footage location or will you have an exhibit?

A Yes, I have a map here which will give it to you. It's 845 feet from the North line and 835 feet from the East line.

MR. UTZ: Just a minute until I locate the well.

A It would be in the Northeast, Northeast corner in the right-hand corner. I didn't show it on there. It's in the Callaway lease. See that triangular-shaped parcel up there?

MR. UTZ: Is that the Callaway lease?

A Yes, it will be located in that area.

MR. UTZ: What were these footages?

A They're shown on the map in the lower right-hand corner.

MR. UTZ: All right. You may proceed.

Q (By Mr. Verity) You contacted Alvin K. Brown, J. G. Brown, Herbert D. Wright and Barbara Jane Wright with regard to the lease of their acreage?

A Well, these lands are leased and Southwest holds the lease, but it is our custom whenever we obtain leases from another



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182SANTA FE, N. M.
PHONE 961-3971ALBUQUERQUE, N. M.
PHONE 243-6691

party, that inasmuch as we've had no control over the lease and cannot be sure that that lease has been held by production properly, we seek ratification of each lease to protect our investment. I have personally contacted the Browns. I have been unable to locate Mr. and Mrs. Wright. I have sent them a letter which has been returned. The Browns, up to the present time, have not signed the necessary ratification. As a matter of fact, Jim Brown refuses to sign a division order because he says it will cost him more than he will get out of it, so he refuses to sign anything.

Q You say your well will be completed in the Dakota?

A Yes, sir.

Q Mr. Jones, heretofore have you made a study of the risk and hazard of drilling and completing wells in the Dakota in the San Juan Basin?

A Yes, sir, and I have tested at great length.

Q Do you think there is a risk?

A Yes, sir.

Q What would you estimate that would be in percentage of cost?

A Well, it is considerably in excess of the 125% that we are asking.

Q In this case?



A In this case.

Q Do you think that you have made a reasonable effort to obtain the joinder of all parties that are entitled to any production in the East Half of Section 3, 30 North, 11 West for this well?

A Yes, sir.

MR. VERITY: We offer Exhibit No. 1 in evidence. That's all we have.

MR. UTZ: Without objection, Exhibit 1 will be entered into the record in this case.

(Whereupon, Applicant's Exhibit No. 1 was admitted into evidence.)

CROSS EXAMINATION

BY MR. UTZ:

Q I have been unable to locate the acreage or the area that is the Wrights.

A It's near the, if you will go up the center line it will be in the Southeast of the Northwest, actually be in the North Half of the Southeast of, well, it would be the Southeast, Northwest and the Southwest, Northeast. You see it there. It's not a triangle but a rectangular parcel which includes, falls in both halves of the section.

Q What quarter, quarter section?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.
PHONE 243 6691

SANTA FE, N. M.
PHONE 933-3971

FARMINGTON, N. M.
PHONE 325-1182



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

PAGE 7

A The Southwest of the Northeast and the Southeast of the Northwest. It will be in the North Half of those quarter sections.

Q It's this little almost octagon shape deal?

A Two and a third acres in the Southwest, Southeast there. The Brown acreage is just South of that in the South Half of those subsections.

Q Insofar as the Browns are concerned, have you offered them an opportunity to come in on the well as a working interest owner?

A Yes, sir.

Q And they have refused?

A Alton says he'll sign but he hasn't up to this time. I have contacted him five times and he always has some reason for not signing at that particular moment, says Jim refuses because he says it will cost him more than he will get out of it, so he absolutely refuses. These lands are under lease and we have taken assignments of the lease, but as I said, it is our custom to obtain ratification of all leases we obtain from others, because I believe there is some question under the prorationing system whether the leases can be continued in production, so we have obtained ratification from all parties.

Q But you have actually leased the land from him and paid



him an agreed sum?

A Yes.

MR. UTZ: Any other questions of the witness?

MR. DURRETT: Yes, I have a question.

BY MR. DURRETT:

Q I believe there's some testimony about some of the parties were notified by mail?

A That's the Wrights.

Q Did you mail certified letters in that case?

A I sent regular mail and they were returned.

Q They were returned to you?

A Yes, to me.

Q Do you remember how those were marked?

A To the address in Aztec. Just Aztec, New Mexico, which is the only address I have been able to locate for them, and I have gone out there and they are not living on the land.

Q Mr. Jones, do you have in your possession at this time, or could you give us some estimate of well costs involved?

A I do not have that material handy, but I can obtain it for you.

MR. VERITY: We will file a complete well cost within thirty days, which I believe has been customary.

MR. DURRETT: Yes, that was my next question.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1162

SANTA FE, N. M.
PHONE 583-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

PAGE 9

Q I'm sure you are familiar that the Commission has been issuing orders in the past that would allow thirty days after completion of the well.

A Right.

Q And then an additional thirty days for any non-consenting owner to pay, would that be satisfactory to you in this case?

A Fine.

MR. UTZ: Are there any other questions of the witness?

The witness may be excused.

(Witness excused.)

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



STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

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

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 13th day of December, 1962.

Ada Dearnley
 Notary Public-Court Reporter

My commission expires:

June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Executive Hearing of Case No. 2689, heard by me on *Nov. 20* 19*62*.

James A. [Signature], Examiner
 New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
 PHONE 325-1182

SANTA FE, N. M.
 PHONE 583-3971

ALBUQUERQUE, N. M.
 PHONE 243-6691



SOUTHWEST PRODUCTION COMPANY

3108 SOUTHLAND CENTER

DALLAS 1, TEXAS

JOSEPH P. DRISCOLL

RIVERSIDE 8-8388

JOHN H. HILL

December 22, 1962

*File
Case 2699*

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

Re: Southwest's SWP-115
Case No. 2699, Order R-2377,
(Force Pooling, Zella Calloway Well,
E/2, Sec. 3-30N-11W, N.M.P.M.,
San Juan County, New Mexico

Gentlemen:

Reference is made to the above-described order of the New Mexico Oil Conservation Commission dated November 28, 1962, providing for the force pooling of all mineral interests, whatever they may be, in the Basin-Dakota gas pool in the East Half of Section 3, T-30-N, R-11-W, N.M.P.M., San Juan County, New Mexico, and the dedication of such unit to the Zella Calloway 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 such order. Each person has been advised of his right to pay his share of costs in such well.

Sincerely yours,

Joseph P. Driscoll
Joseph P. Driscoll

JPD/a

enclosure

Certified Mail
Return Receipt Requested

SOUTHWEST PRODUCTION COMPANY
3108 Scuthland Center
Dallas 1, Texas

Forced Pooling, Order No. R-2377

WELL COSTS

Lease Name:

Zella Calloway No. 1 Well (DK)
E/2, Section 3-30N-11W
San Juan County, New Mexico

Invoice No.	Description	Amount
Statement	San Juan Engineering Company, 5-31-62 Stake location and survey elevation 2% New Mexico School Tax	\$ 100.00 2.00 102.00*
Statement	San Juan Engineering Company, 6-30-62 Restaked location 2% New Mexico School Tax	37.50 .75 38.25*
158-62	Aspen Drilling Company, 7-24-62 Contract drilling to 6975'	35,000.00 35,000.00*
S 520508	Halliburton Company, 7-8-62 2-4 1/2" 8R DV multi-stage cementer, w/3-stage conversion kit New Mexico State Tax	808.00 16.16 824.16*
T 180986	Halliburton Company, 7-18-62 Drill stem test New Mexico State Tax	525.00 10.50 535.50*
BC 620354	Halliburton Company, 7-23-62 600 cu. ft. Pozmix-S cement New Mexico State Tax	1,575.13 31.50 1,606.63*
BC 620392	Halliburton Company, 8-3-62 363 sks. 20-40 bulk fracturing sand, 200 sks. 40-60 bulk fracturing sand New Mexico State Tax	1,182.59 23.65 1,206.24*
FS 208902	Halliburton Company, 8-3-62 Sand-water fracturing New Mexico State Tax	5,580.70 111.61 5,692.31*
T 33214	Industrial Supply Company, 7-31-62 2-4 1/2" #231-01-4201 Baker Metal Petrol Baskets 1-4 1/2" FIG #207 SJ cement guide shoe larkin 1-4 1/2" FIG #451 Filrite collar larkin 1-kit joint lok larkin New Mexico State Tax	102.70 30.30 82.95 5.50 4.43 225.88*

WELL COSTS
Zella Calloway No. 1 Well (DK)

Page 2.
FP Order No. R-2377

<u>Invoice No.</u>	<u>Description</u>	<u>Amount</u>
T 32686	Industrial Supply Company, 7-31-62 Casinghead 10" S/600X8" Finole type W/F housing Gaskets, studs, nuts, plug valve, ball plug, nipple Frt. chg. on 301# @4.35 CWT, 30# @2.71 CWT New Mexico State Tax	\$ 203.98 96.47 13.91 6.29 320.65*
T 33217	Industrial Supply Company, 7-31-62 CA slip & seal assy. 10"X4 $\frac{1}{2}$ " incl. Allen wrench 10X4 $\frac{1}{2}$ R seal assy. Spool tbg. head F 10X6 S/600 SWZ 2" std outlets Bit pilot, retainer wire, flanges, plugs, rings, studs, nipples, nuts, tees, gaskets, New Mexico State Tax	247.17 84.01 361.73 146.77 16.79 856.47*
T 33218	Industrial Supply Company, 7-31-62 Valve tree Cameron, sgle. string, solid block btm. flg. 6" 2000# WP W/prep F HB hanger W/12-1/16" bore master valve std. 2" 2000# W/P top TDD 2" 2000W W/P incl. handwheel Flanges, nuts, nipples, unions 2% New Mexico State Tax	578.00 60.59 12.77 651.36*
T 33235	Industrial Supply Company, 8-20-62 3-7/8" OW Hughes tricone bit Frt. chg. 10# @4.43 CWT New Mexico State Tax	95.63 .44 1.92 97.99*
A 17527	Pan Geo Atlas Corporation, 8-3-62 Perforate: 54 holes, 6807'-6825'; 42 holes, 6715'-6729' Service charge 1% New Mexico School Tax	723.80 150.00 8.74 882.54*
4732	Panhandle Steel Products Company, 8-18-62 210 bbls. API flat bottom welded steel storage tanks, W/rolling line, downcomer, tar paper, 4' single tank landing, API stairway, 2" Enardo stack valve 2% New Mexico State Tax	1,433.26 28.67 1,461.93*
T 33216	Industrial Supply Company, 8-13-62 6418' of 4 $\frac{1}{2}$ " J-55 Range 2 1050# steel casing T&C 120.74 CFT 674 lbs. frt. from mill @.80 CFT 2% New Mexico State Tax	77.49 5.39 1.66 84.54*

WELL COSTS
Zella Calloway No. 1 Well (DK)

Page 3.
FP Order No. R-2377

<u>Invoice No.</u>	<u>Description</u>	<u>Amount</u>
T 68639	Valley Steel Products, 8-6-62 Refund of thread protector	\$ (42.00) (42.00)*
N 2011	M & H Trucking Company, 7-26-62 Haul 418 lbs. acid from Farmington to well site 2% New Mexico School Tax	91.00 1.82 92.82*
04175	Bernard Smith, 7-23-62 7 hours of welding @7.00 per hr.	49.00 49.00*
43004	Atomic Sign Service, 7-5-62 1 Metal sign New Mexico State Tax	12.50 .38 12.88*
174-62	Aspen Drilling Company, 8-9-62 Third party service Schlumberger logging Aspen share of cost	1,812.66 (1,221.55) 591.11*
4353	O. D. Burleson Trucking, Inc., 8-6-62 Haul 100 bbls. rig water, 1 hr. 15 min. @14.00 per hr 2% New Mexico State Tax	17.50 .35 17.85*
168-62	Aspen Drilling Company, 8-2-62 Third party services: Bernard Smith, 2 cattle guards Construction Supply Co., misc. fittings	550.00 22.67 572.67*
Statement	F. P. Crum, Jr., 8-3-62 Checked samples, ran electric log & DST #1, ran electric log & set casing 6984', 3-stage cement job 2% New Mexico State Tax	225.00 4.50 229.50*
J 8-8	Material Transfer, 8-31-62 6819' of 2-3/8" tubing for production string @21.275 CFT (216 jts. for production string, 5 jts. to tie in well head)	2,132.64 2,132.64*
T 33607	Industrial Supply Company, 9-27-62 1 1/2" Control plugs Freight New Mexico State Tax	21.60 .25 .44 22.29*
267	Ralph W. Miller, Inc., 9-21-62 Picking up material & resetting cattle guards 1% New Mexico School Tax	142.80 1.43 144.23*

WELL COSTS
Zella Calloway No. 1 Well (DK)

Page 4.
FP Order No. R-2377

<u>Invoice No.</u>	<u>Description</u>	<u>Amount</u>
T 33225	Industrial Supply Company, 8-24-62 45-5' Roto scratchers 25-4 $\frac{1}{2}$ " Spin D liner 10-4 $\frac{1}{2}$ " Centralizers New Mexico State Tax	\$ 427.50 248.75 155.00 16.63 847.88*
T 33219	Industrial Supply Company, 7-31-62 Weld 2000# W/P X2" LP $\frac{1}{2}$ " NPT angle needle valve, $\frac{1}{2}$ " NPT strt. needle valve 2-3/8" EVE tapped $\frac{1}{2}$ " NPT bull plugs & 2-3/8" EVE pine XI $\frac{1}{2}$ lord reg Swage 4 $\frac{1}{2}$ 3000# face marsh gauges 6x2-3/8 EVE FBB tubing hgr. Frt. chg. on 1250# @4.35, 230# @3.10 New Mexico State Tax	42.00 15.70 35.03 49.64 62.92 61.52 5.34 272.14*
63277	Industrial Supply Company, 7-27-62 7000' 6" of 4 $\frac{1}{2}$ " 10.50# 0-53 BRT R-2 API CF&I Smls st/C 251 pcs. 120.74 CFT Plus special testing 37.1 tons, @5.00 ton New Mexico State Tax	8,453.61 185.85 172.79 8,812.25*
CS 887828	Halliburton Company, 7-24-62 Cementing services New Mexico State Tax	951.00 19.02 970.02*
6-201	B. F. Walker, Inc., 7-26-62 Haul casing - 74353# @.79	587.39 587.39*
CM 7286	Halliburton Company, 8-21-62 Cementing volume discount	(4.16) (4.16)*
2007	Lohmann Oil Well Services, 8-21-62 Completion unit August 2 through August 4, 1962 2% New Mexico School Tax	2,582.85 51.66 2,634.51*
2945	Beasley's Hot Shot Service, 8-3-62 Hauling of tubing, 1 $\frac{1}{2}$ hrs. @7.50 2% New Mexico State Tax	11.25 .23 11.48*
T 33608	Industrial Supply Company, 9-28-62 4-2"X12"X16' rough pine 4-6"X6"X16' rough pine 2% New Mexico Sales Tax	14.59 21.89 .73 37.21*
T 33619	Industrial Supply Company, 10-19-62 Nipples, plug valves, handles, lock-clips, bull plugs 2% New Mexico Sales Tax	86.51 1.73 88.24*
T 33620	Industrial Supply Company, 10-19-62 Pipe nipples, ells, tees, unions, pipe plugs 2% New Mexico Sales Tax	28.71 .57 29.28*

WELL COSTS
Zella Calloway No. 1 Well (DK)

Page 5.
FP Order No. R-2377

<u>Invoice No.</u>	<u>Description</u>	<u>Amount</u>
T 33621	Industrial Supply Company, 10-19-62 2" Weco 200 unions 1 qt. #2 rector seal, 2% New Mexico Sales Tax	\$ 7.00 2.81 .20 10.01*
T 33624	Industrial Supply Company, 10-23-62 1 drum Diethylene glycol, 520# 2% New Mexico Sales Tax	117.78 2.36 120.14*
273	Ralph W. Miller, 10-3-62 Building gate in cattle guard fence 1% New Mexico School Tax	20.70 .21 20.91*
281	Industrial Supply Company, 10-10-62 Hook up battery, dig and bury gas and fuel pits, dig and fence pit, fill vessels with glycol and water, load and move in surplus casing and pipes 1% New Mexico School Tax	336.85 3.37 340.22*
4881	Panhandle Steel Products Company, 9-30-62 1#1675-250 PSPCo cold weather production unit type CS W/3-phase separator, mrd. on 250,000 BTU indirect heater, W/submerged choke and split bundle 2" 3000# coils, all mtd. and piped 1 Kimray thermostat for heater 2 reinforced concrete foundation blocks Field labor to change out theromostats 2% New Mexico State Tax	3,200.00 20.00 40.00 25.00 65.20 3,350.20*
J 10-4	Direct salary and automobile expense Stake location and survey elevation, make settlement for surface damages 4 hrs, @7.41 Auto expense on 60 miles @.10 Drilling Engineer and Geologist, check samples to TD well, run logs, DST interval 6063', & cement casing, 48 hrs. @6.41 Auto expense on 180 miles @.10 Completion Engineer, perf. & SWF in 2 stages, 66 hrs. @7.41 Auto expense on 240 miles @.10 Production foreman, clean well, potential test, set production equipment & clean up location, 52 hrs. @4.43 Auto expense on 210 miles @.10	29.64 6.00 307.68 18.00 489.06 24.00 230.36 21.00 1,125.74*
J 12-7	Estimated additional expenses of cleaning up location and miscellaneous expense (subject to submission of final detailed list after work has been performed.)	1,000.00

WELL COSTS
Zella Calloway No. 1 Well (DK)

Page 6.
FP Order No. R-2377

<u>Invoice</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
J 12-8	Drilling well overhead for the period 7-7-62 through 8-8-62 (32/30 of \$250)	\$ 266.66 266.66*
	Total	<u>73,929.56</u>

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. 2699
Order No. R-2377

APPLICATION OF SOUTHWEST PRODUCTION
COMPANY FOR COMPULSORY POOLING, 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 November 20, 1962, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 28th day of November, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Southwest Production Company, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool underlying the E/2 of Section 3, Township 30 North, Range 11 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 each non-consenting interest owner whose identity and address is known has been offered an opportunity to join with the applicant.
- (5) That although the applicant 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 mineral interests, whatever they may be, within said unit.

(7) That the applicant proposes to dedicate the subject proration unit to the Zella Calloway Well No. 1, located 845 feet from the North line and 835 feet from the East line of said Section 3 and completed in the Basin-Dakota Gas Pool.

(8) That the applicant should be allowed 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 has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(9) That \$65.00 per month should be fixed as the reasonable 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.

(10) 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.

(11) 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.

(12) That any non-consenting working interest owner not electing to pay his share of well costs within 30 days from the date said schedule is furnished him should have his share of the well costs withheld from production plus 25 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(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 the subject well and unit.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the E/2 of Section 3, Township 30 North, Range 11 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 Zella Calloway Well No. 1, located 845 feet from the North line and 835 feet from the East line of said Section 3.

(2) That Southwest Production Company is hereby designated the operator of the subject well and 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 has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(4) That \$65.00 per month is fixed as the reasonable 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

-4-

CASE No. 2699

Order No. R-2377

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.

(10) 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.

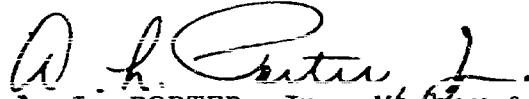
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



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

S E A L

esr/