

CASE 2027: Application of AMERADA  
for COMPULSORY POOLING, Lea Co.,  
New Mexico. (Warlick Wall No.1)

CASE No.  
2897

Application,  
TRANSCRIPTS,  
SMALL Exhibits  
ETC.

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 2897  
Order No. R-2636

APPLICATION OF AMERADA PETROLEUM  
CORPORATION FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on September 18, 1963, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 13th day of January, 1964, 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, Amerada Petroleum Corporation, seeks an order pooling all mineral interests in the Eumont Gas Pool underlying the S/2 NE/4 and N/2 SE/4 of Section 19, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That pursuant to the provisions of an operating agreement covering the N/2 SE/4 of Section 19, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, the applicant and other operators owning working interests in the N/2 SE/4 of said Section 19 drilled the L. G. Warlick "A" Well No. 1 in Unit I of said Section.

(4) That the L. G. Warlick "A" Well No. 1 was subsequently completed in the Eumont Gas Pool as authorized by Order No. R-2228.

(5) That by Order No. R-2228, a 160-acre non-standard gas proration unit in the Eumont Gas Pool, consisting of the S/2 NE/4 and N/2 SE/4 of said Section 19, was established and dedicated to the L. G. Warlick "A" Well No. 1.

(6) That the owners in the subject area have not agreed to pool their interests to form the 160-acre unit.

(7) 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 Eumont Gas Pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(8) That based upon a 160-acre proration unit, Campbell & Hedrick advanced \$1110.21 more than their pro rata share of the cost of drilling and completing the L. G. Warlick "A" Well No. 1; that Amerada Petroleum Corporation elected not to pay \$1110.21 of its proportionate share of the costs in advance; and that it is just and reasonable to require Amerada Petroleum Corporation to pay Campbell & Hedrick the sum of \$1110.21, plus 50% thereof as a charge for the risk involved in the drilling of the well.

IT IS THEREFORE ORDERED:

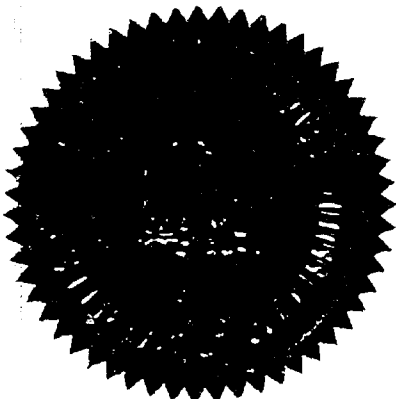
(1) That all mineral interests, whatever they may be, in the Eumont Gas Pool, underlying the S/2 NE/4 and W/2 SE/4 of Section 19, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a non-standard 160-acre gas proration unit to be dedicated to the L. G. Warlick "A" Well No. 1, located in Unit I of said Section 19.

(2) That Amerada Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That within 30 days following the date of this order, Amerada Petroleum Corporation shall pay to Campbell & Hedrick the sum of \$1665.32.

(4) 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.



esr/

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Jack M. Campbell*  
JACK M. CAMPBELL, Chairman

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

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

Case 2897

August 4, 1961

Amerada Petroleum Corporation  
P. O. Box 591  
Midland, Texas

ATTENTION: Mr. John Cornwall      RE: Operating Agreement dated  
July 22, 1961, Section  
19, T-21-S, R-37-S, Lea  
County, New Mexico.

Dear Mr. Cornwall:

Captioned operating agreement covers only N/2 of SE/4 under which Campbell & Hedrick have a one sixteenth interest and it proposes a test well which will be quadruple completed. The Sumont zone will produce gas and it is possible that the Blinetry production will also be gas.

Inasmuch as a standard proration unit for gas wells in these fields exceed the eighty acres included in this operating agreement, it is possible, you may plan to dedicate additional acreage to this well. Please advise us if this is your intention.

Further if additional gas acreage is dedicated to the proposed well, in that event our interest in the zone or zones would be reduced. Please advise us the manner in which the various costs of drilling and completing the proposed test would be prorated among the various zones. We would also appreciate your sending us a copy of AFE covering the proposed test.

Very truly yours,

C. F. Hedrick, Jr.

OPH:WET

2

Case 2897  
GENERAL OFFICE  
BOX 2040  
TULSA 2 OKLA

AMERADA PETROLEUM CORPORATION

BOX 591  
MIDLAND, TEXAS

August 14, 1961

Campbell & Hedrick  
Box 401  
Midland, Texas

RE: Operating Agreement  
N/2 SE/4 Sec. 19-21S-37E  
Lea County, New Mexico

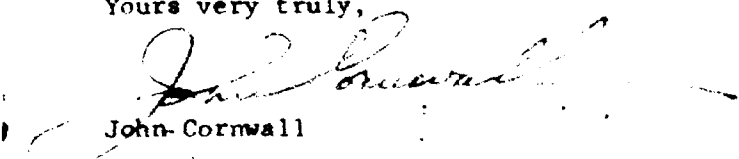
Gentlemen:

With reference to your letter of August 4, 1961 concerning the above subject, we are attaching a copy of a letter attempting to clarify some of the points raised.

We are also attaching a letter from our Production Department in Tulsa with an estimated AFE attached.

After checking this material please advise if you are ready to go ahead with this Operating Agreement and get this well started.

Yours very truly,

  
John Cornwall

JC:lhq  
Encl:

Case 2897

AMERICAN PETROLEUM CORPORATION  
P. O. BOX 1040  
TULSA, OKLAHOMA

August 11, 1961

Re: Operating Agreement  
N/2 SE/4 Sec. 19-21S-37E  
Lea County, New Mexico

MR. JOHN CORNWALL:

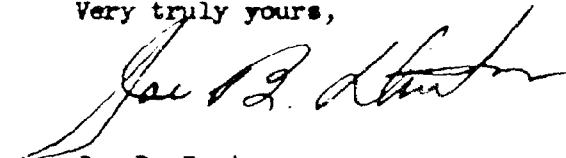
This letter  
was called  
1-A + 15  
in NE/4 SE/4  
14H

Campbell and Hedrick, in their letter of August 4th, have raised a couple of questions regarding the proposed drilling of the Warlick No. 2 well.

→ Their first question as to what might happen if a gas unit is created for Eumont and possibly Blinbry formations, larger than the 80 acres on which the proposed Warlick No. 2 will be drilled. To start out with, it is the feeling of the Production Department that the Eumont gas zone would not be able to produce a 320-acre allowable, but might possibly produce the allowable for the Warlick 160-acre tract. They expect at this time to get oil in the Blinbry; however, if gas is obtained, the same will hold true with it.

Second question raised as to how the cost of the well to the various zones would be split up if, in any event, a gas proration unit was created to take in outside acreage. As an example, if the Eumont gas zone is found at 5,000 feet, and the total depth of the well is 6,700 feet, 1/4 of the intangible drilling cost will be allocated to the Eumont zone. Any tangible equipment used solely for the Eumont zone would be charged directly to that zone. Again, the same will hold true for the Blinbry. Division of cost of the zone would then be divided in the ratio of the number of acres allocated to that zone.

Very truly yours,



Joe B. Denton  
Land Department

JBD/lc

State of New Mexico  
Oil Conservation Commission



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

**January 13, 1964**

Re: Case No. 2 1636  
Order No. K-2636 & K-2637  
Applicant:  
**AMERADA PETROLEUM CORPORATION**

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

A. L. Carter, Jr.

OTHER Mr. Richard Morris



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. 2535  
Order No. R-2228

APPLICATION OF AMERADA PETROLEUM  
CORPORATION FOR A QUADRUPLE COMPLE-  
TION AND A NON-STANDARD GAS PRORA-  
TION UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 25, 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 3rd day of May, 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, Amerada Petroleum Corporation, seeks permission to complete its L. G. Warlick "A" Well No. 1, located in Unit I of Section 19, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, as a quadruple completion (combination) in the Eumont Gas, Blinebry Oil, Penrose-Skelly Oil and Drinkard Oil Pools with the production of oil from the Drinkard and Penrose-Skelly formations to be through parallel strings of 2 7/8-inch casing, the production of oil from the Blinebry formation to be through a string of 1 1/4-inch tubing set within a string of 2 7/8-inch casing, and the production of gas from the Eumont formation to be through the 2 7/8 x 1 1/4-inch casing-tubing annulus.

(3) That the mechanics of the proposed quadruple completion are feasible and in accord with good conservation practices.

(4) That the applicant further seeks the establishment of a 160-acre non-standard gas proration unit in the Eumont Gas Pool comprising the S/2 NE/4 and the N/2 SE/4 of said Section 19, to which unit the Eumont zone of the subject well will be dedicated.

-2-

CASE No. 2535  
Order No. R-2228

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

IT IS THEREFORE ORDERED:

(1) That the applicant, Amerada Petroleum Corporation, is hereby authorized to complete its L. G. Warlick "A" Well No. 1, located in Unit I of Section 19, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, as a quadruple completion (combination) in the Eumont Gas, Blinebry Oil, Penrose-Skelly Oil and Drinkard Oil Pools with the production of oil from the Drinkard and Penrose-Skelly formations to be through parallel strings of 2 7/8-inch casing, the production of oil from the Blinebry formation to be through a string of 1 1/4-inch tubing set within a string of 2 7/8-inch casing, and the production of gas from the Eumont formation to be through the 2 7/8 x 1 1/4-inch casing-tubing annulus.

PROVIDED HOWEVER, That the applicant shall complete, operate, and produce said well in accordance with the provisions of Rule 112-A of the Commission Rules and Regulations.

PROVIDED FURTHER, That the applicant shall conduct packer-leakage tests and zone segregation tests upon completion and annually thereafter during the Annual Gas-Oil Ratio Test Period for the Drinkard zone, and at such other times as the Secretary-Director of the Commission may prescribe.

(2) That a 160-acre non-standard gas proration unit in the Eumont Gas Pool is hereby established, consisting of the S/2 NE/4 and the N/2 SE/4 of said Section 19, to which unit the Eumont zone of the subject well shall be dedicated.

(3) 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 herein-above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

S E A L

E. S. WALKER, Member

esr/

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

# Memo

From

A. L. PORTER, JR.  
SECRETARY-DIRECTOR

To

Dutty some or  
west on Blinches -  
Blewout, Ennon  
was charged with  
25%.

Warwick A#1

TO 6764

Over 2891 CASE  
2878 File

Perfs: Eumout: 3385-3636  
Pen-Sty: 3756-3796  
Blueby: 5588-5992  
Drinkard: 6594-6664

All zones share <sup>common</sup> intangibles on 1/4 basis as well as common tangibles. Tangibles attributed to one zone only ~~per~~ total paid by that zone.

Drilling & completion costs shared by all zones  
(from Exhibit 4) \$54,306.86

Amount attributable to Eumout \$14,268.41

Deduct drilling cost \$54,306.86 - 16,180.20 = 38,126.66

Amount attributable to Eumout w/o drlg cost =  
\$14,268.41 - \$4045.05 = 10,223.36

Total cost of drlg (@ 4.45/ft x 864) = \$30,099.80

Amount attributable to Eumout (1/4 basis) = 7,524.95

+ Eumout share of costs w/o drlg costs 10,223.36  
17,748.31

Eumout share  
Blow out costs 34,090.30 / 4 = 8,522.58

Direct charges to Eumout 9,255.76

Grand Total to Eumout 35,526.65

3.125% of 35,526.65 = 1110.21 adjustment due to  
Campbell & Hedrick

DOCKET: REGULAR HEARING - WEDNESDAY - SEPTEMBER 18, 1963

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

- ALLOWABLE: (1) Consideration of the oil allowable for October, 1963.
- (2) Consideration of the allowable production of gas for October, 1963, 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 October, 1963.

CASE 2897: Application of Amerada Petroleum Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Eumont Gas Pool underlying the S/2 NE/4 and the N/2 SE/4 of Section 19, Township 21 South, Range 37 East, Lea County, New Mexico. Said acreage to be dedicated to applicant's Warlick "A" Well No. 1, located in Unit I of said Section 19.

CASE 2898: Application of Amerada Petroleum Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Blinebry Gas Pool underlying the S/2 NE/4 and NW/4 SE/4 of Section 19, Township 21 South, Range 37 East, Lea County, New Mexico. Said acreage to be dedicated to applicant's Warlick "A" Well No. 2, located in Unit J of said Section 19.

CASE 2899: Southeastern New Mexico nomenclature case calling for an order for the creation, extension, and abolishment of certain pools in Lea and Eddy Counties, New Mexico.

(a) Create a new pool in Lea County, New Mexico, classified as an oil pool for Granite Wash production, designated as the South Brunson-Granite Wash Pool, and described as:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM  
SECTION 31: SE/4

(b) Create a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production, designated as the Lovington-Pennsylvanian Pool, and described as:

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM  
SECTION 23: SW/4

(c) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production, designated as the Seven Rivers Hills-Morrow Gas Pool, and described as:

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM  
SECTION 4: Lots 1, 2, 7 & 8

(d) Extend the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM  
SECTION 25: E/2 NE/4

(e) Extend the Indian Basin-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM  
SECTION 10: ALL  
SECTION 14: ALL  
SECTION 15: ALL

(f) Extend the Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM  
SECTION 10: ALL  
SECTION 14: ALL  
SECTION 15: ALL

(g) Extend the Jenkins-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 35 EAST, NMPM  
SECTION 29: E/2 and SW/4

(h) Extend the South Lane-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM  
SECTION 27: SE/4

(i) Extend the Lusk-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM  
SECTION 19: SE/4

(j) Extend the Lynch-Yates Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM  
SECTION 23: S/2 SW/4

(k) Abolish the Robinson-Grayburg-San Andres Pool in Lea County, New Mexico, described as:

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM  
SECTION 30: S/2  
SECTION 31: ALL  
SECTION 32: NW/4 and S/2

(l) Extend the Maljamar (Grayburg-San Andres) Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM  
SECTION 30: S/2  
SECTION 31: ALL  
SECTION 32: ALL

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM  
SECTION 6: N/2

(m) Extend the Sawyer-San Andres Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 38 EAST, NMPM  
SECTION 6: NE/4

(n) Extend the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM  
SECTION 25: SE/4  
SECTION 36: E/2

(o) Extend the Vacuum-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM  
SECTION 36: SW/4

(p) Extend the North Vacuum-Devonian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM  
SECTION 8: SW/4

CASE 2900:

Northwest New Mexico nomenclature case calling for the creation and extension of certain pools in San Juan and Rio Arriba Counties, New Mexico, and for the designation and redesignation of certain vertical limits.

(a) Redesignate the Rattlesnake Pennsylvanian Oil Pool, San Juan County, as the Rattlesnake Pennsylvanian "CD" Oil Pool, and define the vertical limits to be from the depth correlative to the point depicted at 6549 feet on the log of the Continental Rattlesnake Well No. 144, located in Unit P of Section 2, Township 29 North, Range 19 West, to the depth correlative to the point depicted at 6709 feet on said log.

(b) Create the Rattlesnake Pennsylvanian "B" Gas Pool in Township 29 North, Range 19 West, San Juan County, and define the vertical limits to be identical to the zone from 6402 feet to 6549 feet on the log of the above-described Continental Rattlesnake Well No. 144. Horizontal limits to be described as:

TOWNSHIP 29 NORTH, RANGE 19 WEST, NMPM  
SECTION 2: S/2  
SECTION 11: N/2

(c) Create the Pajarito Pennsylvanian "D" Oil Pool in Township 29 North, Range 17 West, San Juan County, and define the vertical limits to be from 7197 feet to 7251 feet on the log of the Amerada Navajo 20 Well No. 1 located in Unit D of Section 31 of said township. Horizontal limits to be described as:

TOWNSHIP 29 NORTH, RANGE 17 WEST, NMPM  
SECTION 31: NW/4

(d) Create the Table Mesa-Pennsylvanian "C" Gas Pool in Township 27 North, Range 17 West, San Juan County, and define the vertical limits to be from 7182 feet to 7249 feet on the log of the Continental Table Mesa Well No. 24 located in Unit K of Section 4 of said township. Horizontal limits to be described as:

TOWNSHIP 27 NORTH, RANGE 17 WEST, NMPM  
SECTION 3: W/2  
SECTION 4: S/2

(e) Extend the Cha Cha-Gallup Oil Pool boundary in San Juan County, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 12 WEST, NMPM  
SECTION 30: NE/4

(f) Extend the Many Rocks-Gallup Oil Pool boundary in San Juan County, New Mexico, to include therein:

TOWNSHIP 31 NORTH, RANGE 16 WEST, NMPM  
SECTION 17: S/2 NW/4

TOWNSHIP 32 NORTH, RANGE 17 WEST, NMPM  
SECTION 27: SW/4 NW/4 & N/2 SW/4  
SECTION 28: E/2 NE/4

(g) Extend the Simpson-Gallup Oil Pool boundary in San Juan County, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 11 WEST, NMPM  
SECTION 30: NW/4

(h) Extend the Totah-Gallup Oil Pool boundary in San Juan County, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 12 WEST, NMPM  
SECTION 17: N/2 NW/4

(i) Extend the Tapacito-Pictured Cliffs Pool boundary in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM  
SECTION 5: NE/4



(j) Extend the Boulder-Mancos Oil Pool boundary in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 1 WEST, NMPM

SECTION 10: SW/4 SE/4

SECTION 14: E/2 E/2

SECTION 23: E/2 E/2

SECTION 26: W/2 SW/4, S/2 SE/4, & NE/4 SE/4

SECTION 35: N/2 NE/4

(k) Extend the Devils Fork-Gallup Pool boundary in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM

SECTION 6: W/2

SECTION 7: E/2 NW/4

SECTION 8: E/2 SE/4

SECTION 9: W/2 NW/4

SECTION 10: S/2

SECTION 15: W/2 NW/4

SECTION 16: E/2 NE/4

(l) Extend the Otero-Gallup Oil Pool boundary in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 5 WEST, NMPM

SECTION 16: SW/4

SECTION 17: E/2

SECTION 21: NW/4

(m) Extend the Puerto Chiquito-Gallup Oil Pool boundary in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 1 EAST, NMPM

SECTION 17: S/2 SE/4

SECTION 19: SE/4 SE/4

SECTION 20: SW/4 SW/4, NE/4 & N/2 SE/4

Case 3897

JASON W. KELLAHIN  
ROBERT E. FOX

KELLAHIN AND FOX  
ATTORNEYS AT LAW  
54 1/2 EAST SAN FRANCISCO STREET  
POST OFFICE BOX 1713  
SANTA FE, NEW MEXICO

TELEPHONES  
YUCCA 3-9396  
YUCCA 2-2266

August 1, 1963

The Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Attention: Mr. James Durrett

Dear Sir:

Enclosed are the applications of Amerada Petroleum Corporation for forced pooling of two proration units to be dedicated to their Warlick "A" No. 1 and No. 2 wells respectively.

The applications request that the hearing be set before the Commission's Examiner. In view of the fact that they will probably be opposed, it is requested that they be set for hearing at the regular state-wide hearing before the Commission at as early a date as possible.

Yours very truly,

*Jason W. Kellahin*

JASON W. KELLAHIN

JWK:mcs  
Enclosures

DOCKET MAILED

*9/6/63*  
*[Signature]*

BEFORE THE NEW MEXICO  
OIL CONSERVATION COMMISSION

APPLICATION OF AMERADA PETROLEUM CORPORATION )  
FOR THE COMPULSORY POOLING OF ALL INTERESTS )  
IN THE EUMONT GAS UNIT COMPRISED OF THE )  
S/2 NE/4 AND N/2 SE/4 SEC. 19-21S-37E, LEA )  
COUNTY, NEW MEXICO. )

Case No. 2897

APPLICATION

Applicant Amerada Petroleum Corporation states that:

1. By Commission Order No. R-2228, dated May 3, 1963, a nonstandard Eumont gas proration unit was established comprised of the S/2 NE/4 and the N/2 SE/4 Section 19, Township 21 South, Range 37 East, Lea County, New Mexico.

2. Applicant owns part of the working interest in such proration unit and operates the unit well, the Warlick "A" Well No. 1 located in the NE/4 SE/4 Section 19-21S-37E.

3. Applicant has been unable to effect the voluntary pooling of the working interests and the royalty interests in the subject proration unit.

4. In order to prevent waste, avoid the drilling of unnecessary wells, protect correlative rights, and afford to the owner of each interest in the proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas and associated hydrocarbons in the Eumont Gas Pool, this Commission should:

- (a) Pool all interests in the Eumont gas proration unit comprised of the S/2 NE/4 and the N/2 SE/4 Section 19-21S-37E, Lea County, New Mexico.
- (b) Determine the costs of drilling, completing and operating the unit well, and allocate or charge such costs to the working interest owner in equitable basis.
- (c) Make such other provisions as may be just and reasonable under the circumstances.

Applicant Amerada Petroleum Corporation therefore requests that this matter be set for hearing before an examiner, that notice thereof be given as required by law, and that upon conclusion of such hearing the Commission enter an order granting this application.

AMERADA PETROLEUM CORPORATION

By Jason W. Kellahin  
Jason W. Kellahin  
Kellahin and Fox

By Thomas W. Lynch  
Thomas W. Lynch  
P. O. Box 2040  
Tulsa 2, Oklahoma

ROUGH DRAFT  
JMD/ir  
Jan. 3, 1964

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. 2897  
Order No. R-2636

APPLICATION OF AMERADA PETROLEUM  
CORPORATION FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on September 18, 1963, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this Jan day of Jan, 1964, 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, Amerada Petroleum Corporation, seeks an order pooling all mineral interests in the Eumont Gas Pool underlying the S/2 NE/4 and N/2 SE/4 of Section 19, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That pursuant to the provisions of an operating agreement covering the N/2 SE/4 of Section 19, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, the applicant and other operators owning working interests in the N/2 SE/4 of said Section 19 drilled the L. G. Warlick "A" Well No. 1 in Unit I of said Section. ~~19.~~

(4) That the L. G. Warlick "A" Well No. 1 was subsequently completed in the Eumont Gas Pool as authorized by Order No. R-2228.

(5) That by order No. R-2228, a 160-acre non-standard gas proration unit in the Eumont Gas Pool, consisting of the S/2 NE/4 and N/2 SE/4 of said Section 19, was established and dedicated to the L. G. Warlick "A" Well No. 1.

(6) That the owners in the subject area have not agreed to pool their interests to form the 160-acre unit.

(7) 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 Eumont Gas Pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(8) That based upon a 160-acre proration unit, Campbell & Hedrick advanced <sup>\$1110.21</sup> ~~(\$828.88)~~ more than their pro rata share of the cost of drilling and completing the L. G. Warlick "A" Well No. 1; that Amerada Petroleum Corporation elected not to pay <sup>\$1110.21</sup> ~~its~~ ~~pro-~~ portionate share of the <sup>cost</sup> ~~\$828.88~~ in advance; and that it is just and reasonable to require Amerada Petroleum Corporation to <sup>pay</sup> ~~refund~~ to Campbell & Hedrick the sum of <sup>\$1110.21</sup> ~~(\$828.88)~~ plus 50% thereof as a charge for the risk involved in the drilling of the well.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Eumont Gas Pool, underlying the S/2 NE/4 and N/2 SE/4 of Section 19, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a non-standard 160-acre gas proration unit to be dedicated to the Warlick "A" Well No. 1, located in Unit I of said Section 19.

(2) That Amerada Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That within 30 days following the date of this order, Amerada Petroleum Corporation shall <sup>pay</sup> ~~refund~~ to Campbell & Hedrick the sum of <sup>\$1665.32</sup> ~~\$1,243.32~~.

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

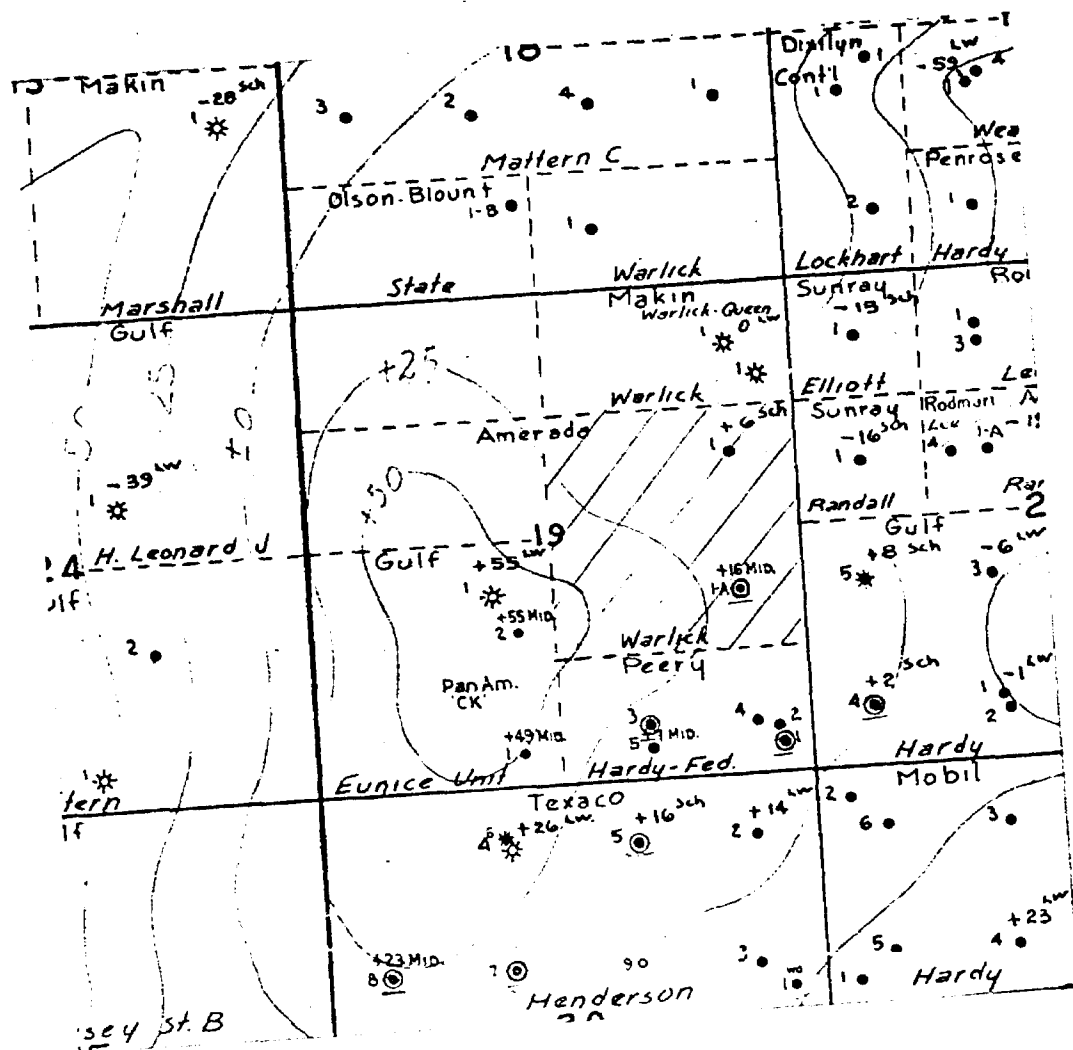
DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

etc.

R-36-E

R-37-E



AMERADA PETROLEUM CORP.  
EXHIBIT 12  
FIGURE 1

Grayburg Prod.

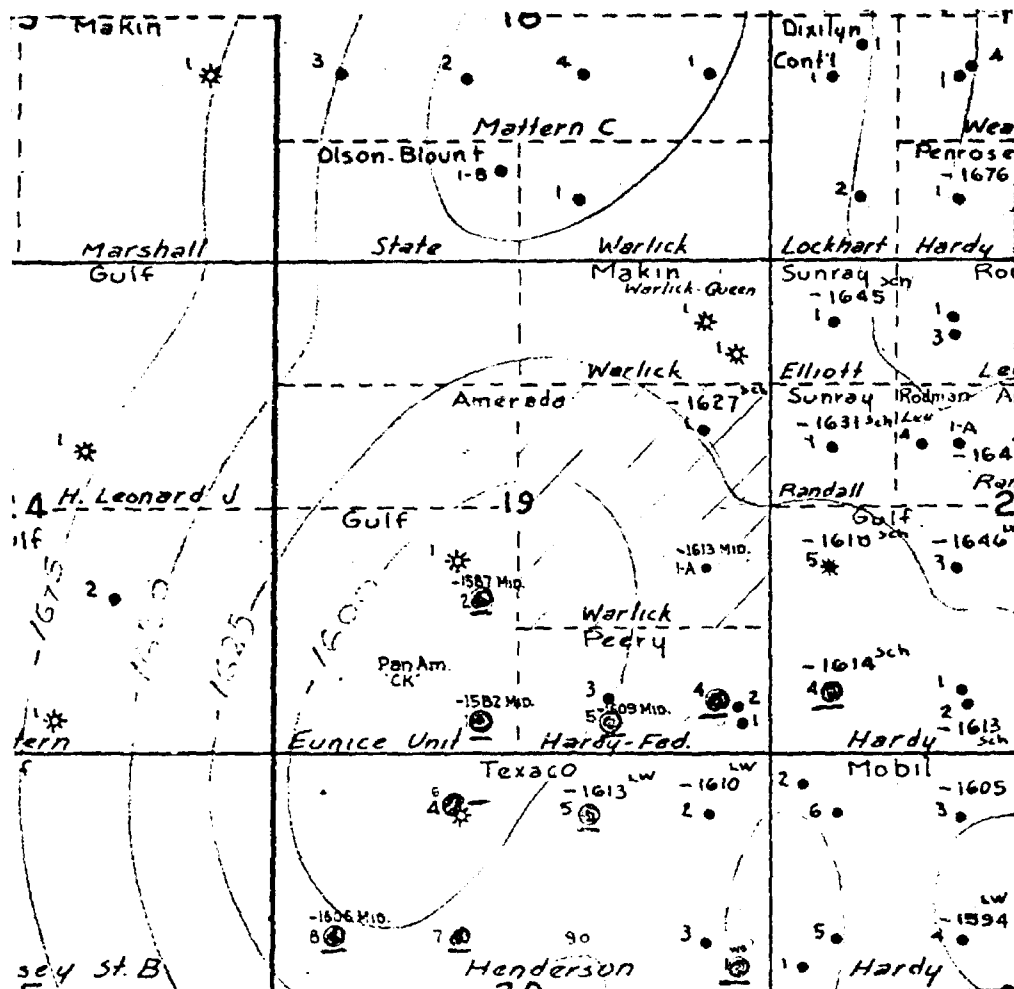
EUMONT POOL  
Lea County, New Mexico  
Top Penrose

Contour Interval 25 Feet  
Scale: 1" = 2000'

Revised: April, 1962

R-36-E

R-37-E



AMERADA PETROLEUM CORP.

EXHIBIT 12

FIGURE 2

Paddock Prod.

PADDOCK POOL  
Lea County, New Mexico

Base San Andres

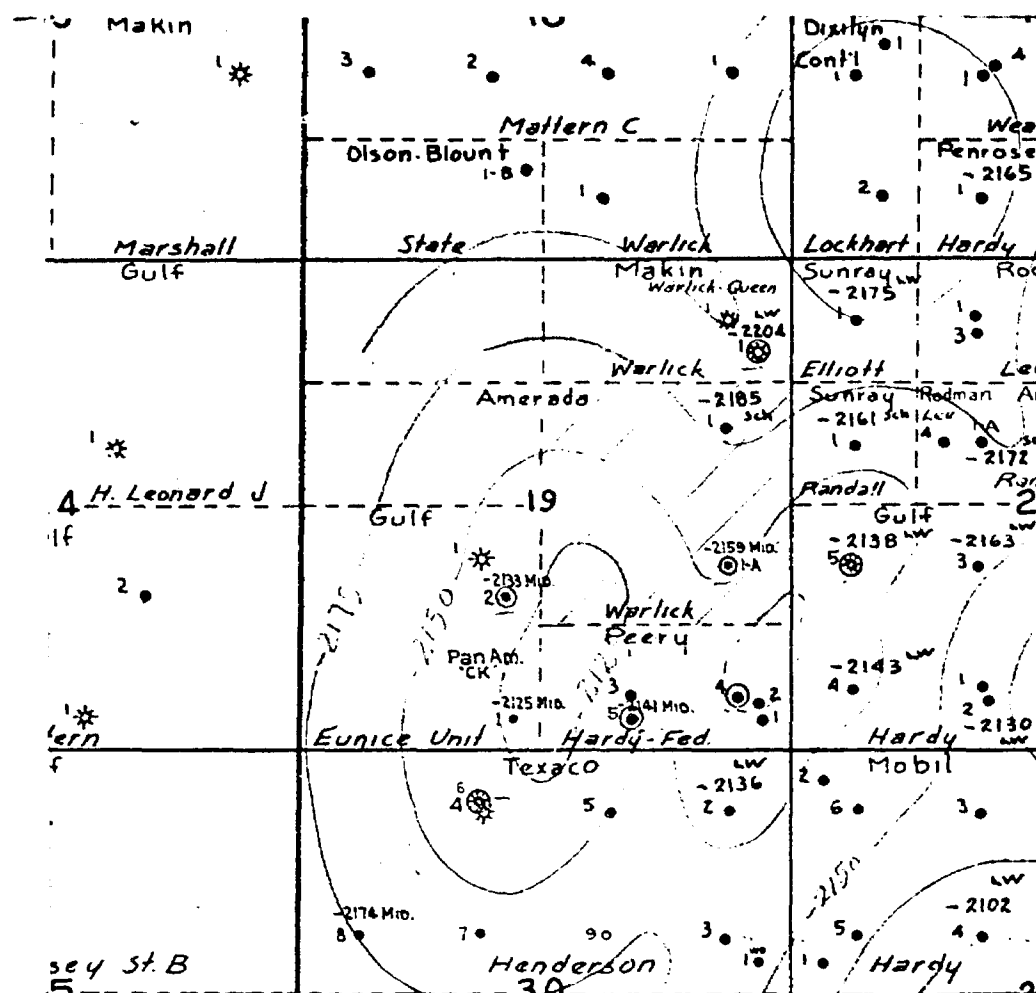
Contour Interval 25 Feet

Scale: 1" = 2000'

Revised: April 62 L.H.

R-36-E

R-37-E



AMERADA PETROLEUM CORP.  
EXHIBIT 12  
FIGURE 3

© Blinebry Prod.

BLINEBRY POOL  
Lea County, New Mexico

Top Clearfork

Contour Interval 25 Feet

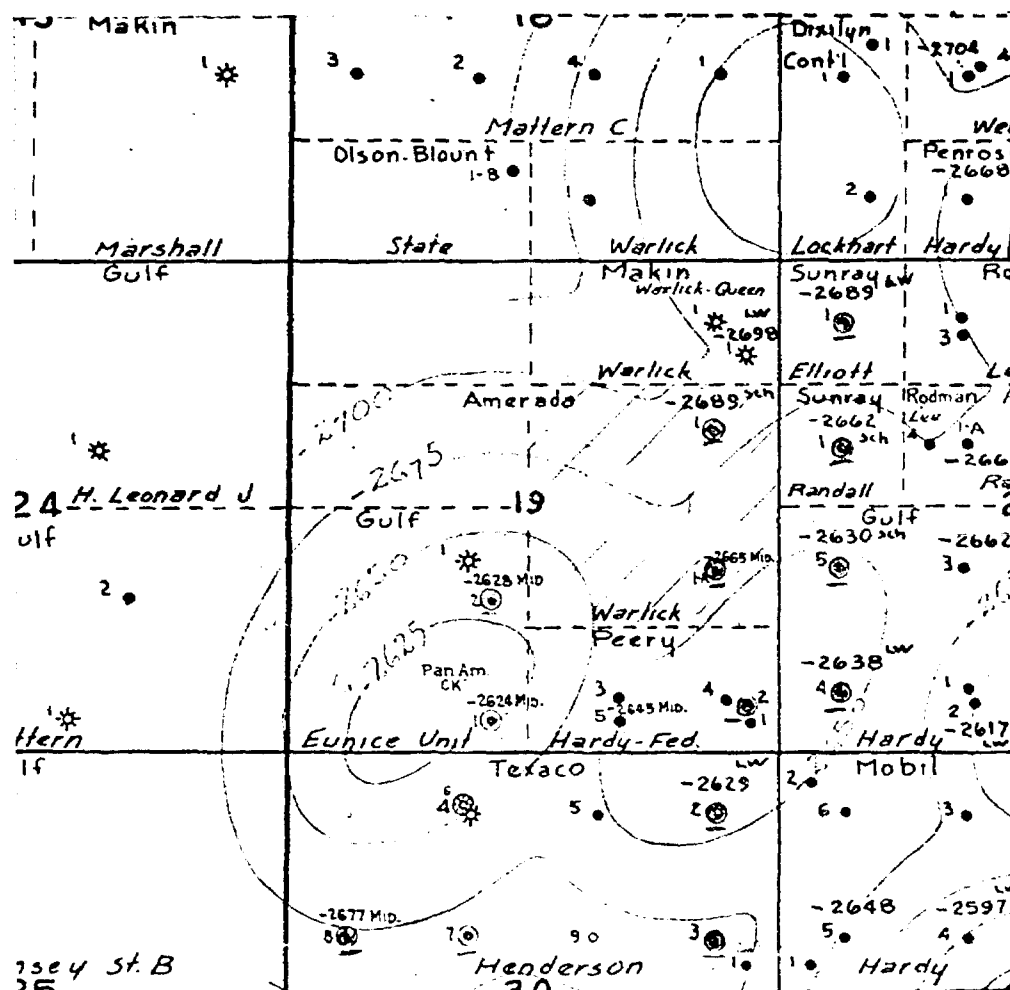
Scale: 1" = 2000'

*Revised: April 1964 L.M.*



R-36-E

R-37-E



AMERADA PETROLEUM CORP.

EXHIBIT 12

FIGURE 4

Drinkard Prod.

DRINKARD POOL  
Lea County, New Mexico

Top Tubb

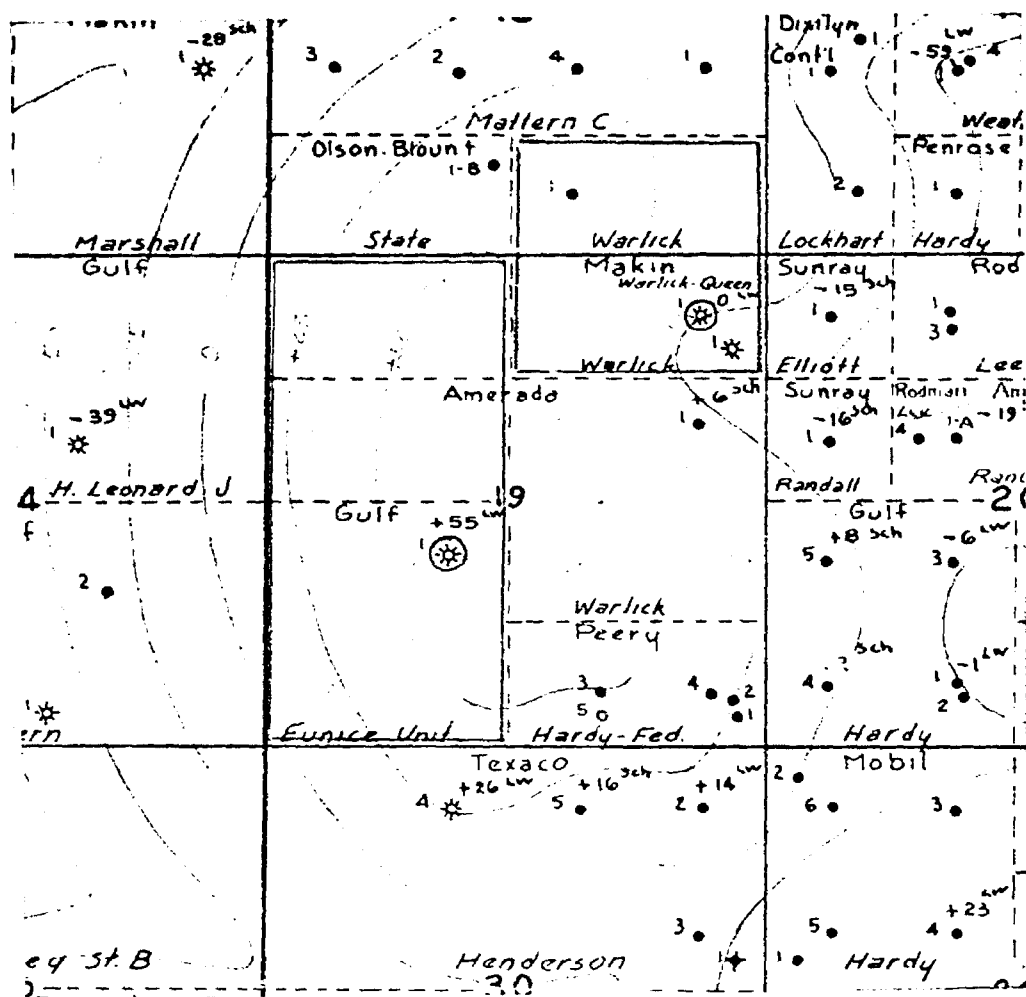
Contour Interval 25 Feet

Scale: 1" = 2000'

*Lea County, New Mexico*

R-36-E

R-37-E



AMERADA PETROLEUM CORP.

EXHIBIT 10

FIGURE 1

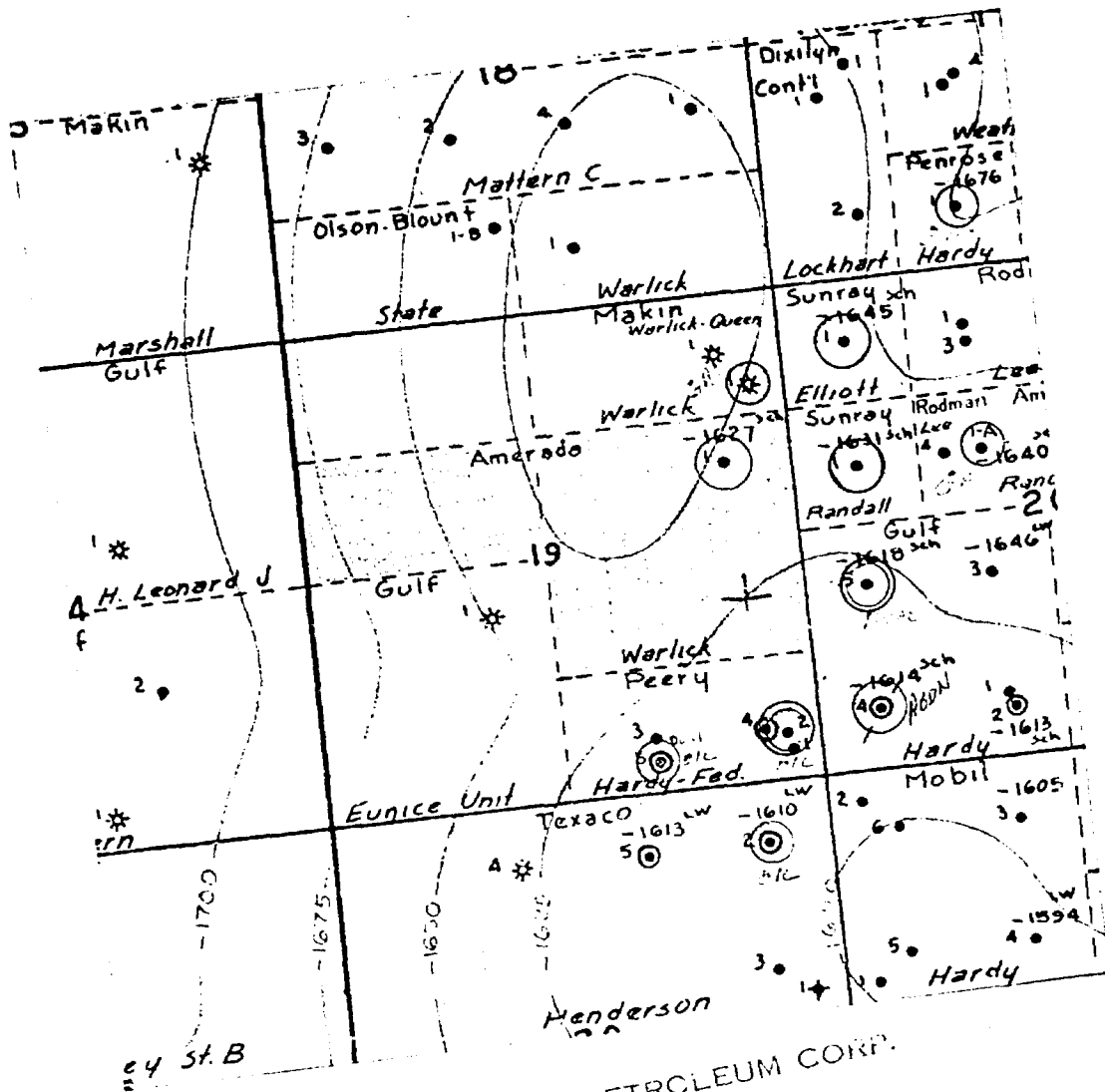
EUMONT POOL  
Lea County, New Mexico  
Top Penrose

Contour Interval 25 Feet  
Scale: 1" = 2000'

JAN-7-1961 Nelson

R-36-E

R-36-E



PADDOCK POOL  
Lea County, New Mexico  
Base San Andres  
Contour Interval 25 Feet  
Scale: 1" = 2000'

- ⊙ Paddock Oil Wells
- BULLHEAD PRODUCTION
- DRINKARD PRODUCTION

1/7/62 Nelson

AMERADA PETROLEUM CORPORATION  
P. O. BOX 2040  
TULSA 2, OKLAHOMA

AMERADA PETROLEUM CORP.

EXHIBIT 4

FIGURE

L. G. WARLICK GAS UNIT "A" #2 - BLINEBRY GAS ZONE COMPLETION COSTS

Drilling and completion costs and equipment shared by all zones:

<u>Description</u>	<u>Total Amount</u>	<u>Amount To Blinebry</u>
Pits and cellar	\$ 99.00	\$ 24.75
Location damage	350.00	87.50
Road and location	1,691.00	422.75
16" O.D. casing: 282' - 53.10#, new at \$7.26138 per ft.) 24' - 42.8#, S.H. at \$6.4550 less 25%)	2,164.00	541.00
Cement and cementing service on 16" OD casing	908.00	227.00
Welding on 16" OD casing	133.00	33.25
Centralizers and shoes for 16" OD casing	298.00	74.50
13-3/8" OD and 10-3/4" OD casing: 49' - 13-3/8" OD 61# new ) at \$6.7078 per foot ) 2538' - 10-3/4" OD 40.5# new ) at \$4.6449 per foot )	12,118.00	3,029.50
Cement and cementing service for 10-3/4" casing	4,903.00	1,225.75
Centralizers, shoes and scratchers for ditto	534.00	133.50
Welding on ditto	160.00	40.00
Logging expense	3,063.00	765.75
Cement and cementing service on four strings of 2-7/8" casing	7,622.00	1,905.50
Expense to test 4 strings of 2-7/8" casing	904.00	226.00
Well head equipment	5,761.00	1,440.25
Fuel and water	993.00	248.26
Mud and chemicals	6,902.00	1,725.50
Miscellaneous trucking, labor and supervision	1,421.00	355.25

L. G. WARLICK GAS UNIT "A" #2 - BLINEBRY GAS ZONE COMPLETION COSTS - Page 2

Drilling and completion costs and equipment shared by all zones (continued):

<u>Description</u>	<u>Total Amount</u>	<u>Amount To Blinebry</u>
Drilling contract - 6699' at \$5.50 per foot	\$36,845.00	\$9,211.25
Day work	<u>3,043.00</u>	<u>760.75</u>
Total Drilling and Completion Costs and Equipment Shared By All Zones	\$89,912.00	\$22,478.01

Direct Charges To Blinebry Zone:

6,735' - 2-7/8" OD 6.4# tubing as casing, new at \$0.8422 per foot	\$5,672.22
Shoe, turbolizers and plug catchers for 2-7/8" casing	245.00
Perforating	1,265.00
Acidizing and frac	760.00
Pulling unit to swab	224.00
Rental tools	<u>299.00</u>
Total	<u>\$8,465.22</u>
Grand Total	<u><u>\$30,943.23</u></u>

4.1667% of \$30,943.23 = \$1,289.31 adjustment due Campbell & Hedrick.

AMERADA PETROLEUM CORP.

EXHIBIT *B*, *Case 2877-297*

FIGURE

DIVISION OF OWNERSHIP

WARLICK "A" EUMONT GAS UNIT  
S/2 NE/4 AND N/2 SE/4 SECTION 19-21S-37E  
LEA COUNTY, NEW MEXICO

WARLICK "A" BLINEBRY GAS UNIT  
S/2 NE/4 AND NW/4 SE/4 SECTION 19-21S-37E  
LEA COUNTY, NEW MEXICO

DIVISION OF OWNERSHIP FOR THE  
S/2 NE/4 and N/2 SE/4 of Sec. 19-21S-37E

<u>INTEREST OWNER AND ADDRESS</u>	<u>THE 7/8 WORKING INTEREST</u>		
	<u>S/2 NE/4</u>	<u>NE/4 SE/4</u>	<u>NW/4 SE/4</u>
AMERADA PETROLEUM CORPORATION P. O. Box 2040 Tulsa 2, Oklahoma	343/512	311/512	311/512
BROSECO CORPORATION Mercantile Trust Building Baltimore 2, Maryland	33.25/512	33.25/512	33.25/512
CAMPBELL & HEDRICK, A Partnership comprised of Joe H. Campbell and O. F. Hedrick, Jr. P. O. Box 401 Midland, Texas		1/16	1/16
JOHN B. RICH Mercantile Trust Building Baltimore 2, Maryland	1.75/512	1.75/512	1.75/512
SOHIO PETROLEUM COMPANY, PP ACCOUNT #1 970 First National Office Building Oklahoma City 2, Oklahoma	70/512	70/512	70/512
THE FLUOR CORPORATION, LTD. c/o Continental Illinois National Bank and Trust Company of Chicago Chicago, Illinois	1/8	1/8	1/8
<u>THE 1/8 ROYALTY INTEREST</u>			
# J. M. ARMSTRONG Box 990 Midland, Texas	1/32	1/32	1/32
# SAMUEL TAYLOR BEARE, SR. and BETTY B. BEARE Columbian Mutual Tower Memphis, Tennessee	1/1024	1/1024	1/1024
# BEATRICE CHRISTMAN BELL 3521 Southwestern Boulevard Dallas, Texas	1/256	1/256	1/256
# C. P. BORDAGES Box 1416 Beaumont, Texas	7/64	7/64	7/64
# BARBARA CHRISTMAN BROWN Avalon Apts. #3 3011 Highland Avenue Birmingham, Alabama	1/256	1/256	1/256
© CAMPBELL & HEDRICK, A Partnership comprised of Joe H. Campbell and O. F. Hedrick, Jr. P. O. Box 401 Midland, Texas	1/8	5/32	1/8
# FRANCES J. CHRISTMAN 1425 La Salle Avenue Minneapolis 3, Minnesota	1/256	1/256	1/256
# LOUIS F. CHRISTMAN 1127 West Lexington Circle Memphis, Tennessee	3/1024	3/1024	3/1024
# J. V. CONAN P. O. Box 839 Lockhart, Texas	1/64	1/64	1/64

THE 1/8 ROYALTY INTEREST (CONTINUED)

<u>INTEREST OWNER AND ADDRESS</u>	<u>S/2 NE/4</u>	<u>NE/4 SE/4</u>	<u>NW/4 SE/4</u>
# FELMONT OIL CORPORATION 285 Madison Avenue New York 17, New York	23/512	23/512	23/512
# B. T. GALE c/o First Trust Company of Saint Paul St. Paul, Minnesota	1/64	1/64	1/64
# FIRST TRUST COMPANY OF ST. PAUL, AS TRUSTEE FOR GRACE D. GALE, DECEASED St. Paul, Minnesota	1/64*	1/64*	1/64*
*These interests are in suspense, pending determination that such interests were committed to the Grace D. Gale Trust.			
# JULIAN W. GLASS, JR., TRUSTEE UNDER THE WILL OF J. WOOD GLASS, DECEASED P. O. Box 587 Nowata, Oklahoma	3/512	3/512	3/512
% SUE SAUNDERS GRAHAM P. O. Box 172 Salt Lake City 10, Utah	1/96		
# GRARIDGE CORPORATION Box 1110 Graham, Texas	1/15	1/15	1/15
% ELYSE SAUNDERS PATTERSON 6444 Indian Lane Shawnee Mission, Kansas	1/96		
@ FRANK HAYNES Grantville, Kansas		1/32	1/64
@ JAMES ARTHUR HAYNES 6506 Northeast 33rd Street Portland 11, Oregon			1/128
@ ESTATE OF JAMES R. HAYNES, N.C.M.; FRANK HAYNES, GUARDIAN Grantville, Kansas			1/128*
*This interest in suspense, pending evidence that a New Mexico Guardian was appointed. Frank Haynes is the Kansas Guardian.			
@ WILLIAM G. KENDALL, DECEASED c/o Mrs. Veronica Kendall Felt 1265 Wilshire Drive Union, New Jersey			1/32**
**This interest in suspense. After completion of Title requirements, 1/2 of this interest will go to Veronica Kendall Felt, with the other 1/2 going to Rose Kendall For Life and the Remainder to Richard W. Kendall and Rosemary K. Geary, equally.			
# PHILLIPS INVESTMENT CORPORATION 806 South Denver Tulsa 19, Oklahoma	3/512	3/512	3/512
# ESTATE OF WOODLAN P. SAUNDERS, DECEASED; VIRGINIA LEE SAUNDERS, EXECUTRIX 1442 Seville Road Santa Fe, New Mexico	1/64	1/64	1/64
# SPARKS HEALEY COMPANY, A CO-PARTNERSHIP P. O. Box 12382 Fort Worth 16, Texas	1/20	1/20	1/20
# SOUTHERN MINERALS CORPORATION P. O. Box 716 Corpus Christi, Texas	2/15	2/15	2/15
% SALLY SAUNDERS TOLES P. O. Box 1300 Roswell, New Mexico	1/96		



THE 1/8 ROYALTY INTEREST (CONTINUED)

<u>INTEREST OWNER AND ADDRESS</u>	<u>S/2 NE/4</u>	<u>NE/4 SE/4</u>	<u>NW/4 SE/4</u>
# L. M. WARLICK Star Route "A", Box 206 Hobbs, New Mexico	1/8	1/8	1/8
# WARREN BANK AND TRUST COMPANY, TRUSTEE UNDER THE WILL OF A. W. GOAL, DECEASED Warren, Pennsylvania	3/512*	3/512*	3/512*
	*These interests are in suspense, pending ancillary probate in New Mexico.		
% NEIL H. WILLS Box 529 Carlsbad, New Mexico	1/32		
# W. A. YEAGER Box 990 Midland, Texas	1/32	1/32	1/32
# THE FLUOR CORPORATION, LTD. c/o Continental Illinois National Bank and Trust Company of Chicago Chicago, Illinois	1/8	1/8	1/8

# - These interest owners own uniformly throughout the entire 160 acres; hence, no pooling consents are necessary.

% - Proper pooling authority has been granted by these parties.

@ - Need pooling authority from these parties.

AMERADA PETROLEUM CORP.  
EXHIBIT 2  
FIGURE

DIVISION OF OWNERSHIP

WARLICK "A" EUMONT GAS UNIT  
S/2 NE/4 AND N/2 SE/4 SECTION 19-21S-37E  
LEA COUNTY, NEW MEXICO

WARLICK "A" BLINEBRY GAS UNIT  
S/2 NE/4 AND NW/4 SE/4 SECTION 19-21S-37E  
LEA COUNTY, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
*Amerada* Exhibit No. 6  
Case No. 2898

DIVISION OF OWNERSHIP FOR THE  
S/2 NE/4 and N/2 SE/4 of Sec. 19-21S-37E

<u>INTEREST OWNER AND ADDRESS</u>	<u>THE 7/8 WORKING INTEREST</u>		
	<u>S/2 NE/4</u>	<u>NE/4 SE/4</u>	<u>NW/4 SE/4</u>
AMERADA PETROLEUM CORPORATION P. O. Box 2040 Tulsa 2, Oklahoma	343/512	311/512	311/512
BROSECO CORPORATION Mercantile Trust Building Baltimore 2, Maryland	33.25/512	33.25/512	33.25/512
CAMPBELL & HEDRICK, A Partnership comprised of Joe H. Campbell and O. F. Hedrick, Jr. P. O. Box 401 Midland, Texas		1/16	1/16
JOHN B. RICH Mercantile Trust Building Baltimore 2, Maryland	1.75/512	1.75/512	1.75/512
SOHIO PETROLEUM COMPANY, PP ACCOUNT #1 970 First National Office Building Oklahoma City 2, Oklahoma	70/512	70/512	70/512
THE FLUOR CORPORATION, LTD. c/o Continental Illinois National Bank and Trust Company of Chicago Chicago, Illinois	1/8	1/8	1/8

<u>THE 1/8 ROYALTY INTEREST</u>			
# J. M. ARMSTRONG Box 990 Midland, Texas	1/32	1/32	1/32
# SAMUEL TAYLOR BEARE, SR. and BETTY B. BEARE Columbian Mutual Tower Memphis, Tennessee	1/1024	1/1024	1/1024
# BEATRICE CHRISTMAN BELL 3521 Southwestern Boulevard Dallas, Texas	1/256	1/256	1/256
# C. P. BORDAGES Box 1416 Beaumont, Texas	7/64	7/64	7/64
# BARBARA CHRISTMAN BROWN Avalon Apts. #3 3011 Highland Avenue Birmingham, Alabama	1/256	1/256	1/256
@ CAMPBELL & HEDRICK, A Partnership comprised of Joe H. Campbell and O. F. Hedrick, Jr. P. O. Box 401 Midland, Texas	1/8	5/32	1/8
# FRANCES J. CHRISTMAN 1425 La Salle Avenue Minneapolis 3, Minnesota	1/256	1/256	1/256
# LOUIS F. CHRISTMAN 1127 West Lexington Circle Memphis, Tennessee	3/1024	3/1024	3/1024
# J. V. COWAN P. O. Box 220	1/64	1/64	1/64

THE 1/8 ROYALTY INTEREST (CONTINUED)

<u>INTEREST OWNER AND ADDRESS</u>	<u>S/2 NE/4</u>	<u>NE/4 SE/4</u>	<u>NW/4 SE/4</u>
# FELMONT OIL CORPORATION 285 Madison Avenue New York 17, New York	23/512	23/512	23/512
# B. T. GALE c/o First Trust Company of Saint Paul St. Paul, Minnesota	1/64	1/64	1/64
# FIRST TRUST COMPANY OF ST. PAUL, AS TRUSTEE FOR GRACE D. GALE, DECEASED St. Paul, Minnesota	1/64*	1/64*	1/64*
*These interests are in suspense, pending determination that such interests were committed to the Grace D. Gale Trust.			
# JULIAN W. GLASS, JR., TRUSTEE UNDER THE WILL OF J. WOOD GLASS, DECEASED P. O. Box 587 Nowata, Oklahoma	3/512	3/512	3/512
% SUE SAUNDERS GRAHAM P. O. Box 172 Salt Lake City 10, Utah	1/96		
# GRARIDGE CORPORATION Box 1110 Graham, Texas	1/15	1/15	1/15
% ELYSE SAUNDERS PATTERSON 6444 Indian Lane Shawnee Mission, Kansas	1/96		
@ FRANK HAYNES Grantville, Kansas		1/32	1/64
@ JAMES ARTHUR HAYNES 6506 Northeast 33rd Street Portland 11, Oregon			1/128
@ ESTATE OF JAMES R. HAYNES, N.C.M.; FRANK HAYNES, GUARDIAN Grantville, Kansas			1/128*
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@ WILLIAM C. KENDALL, DECEASED c/o Mrs. Veronica Kendall Felt 1265 Wilshire Drive Union, New Jersey			1/32**
**This interest in suspense. After completion of Title requirements, 1/2 of this interest will go to Veronica Kendall Felt, with the other 1/2 going to Rose Kendall For Life and the Remainder to Richard W. Kendall and Rosemary K. Geary, equally.			
# PHILLIPS INVESTMENT CORPORATION 806 South Denver Tulsa 19, Oklahoma	3/512	3/512	3/512
# ESTATE OF WOODLAN P. SAUNDERS, DECEASED; VIRGINIA LEE SAUNDERS, EXECUTRIX 1442 Seville Road Santa Fe, New Mexico	1/64	1/64	1/64
# SPARKS HEALEY COMPANY, A CO-PARTNERSHIP P. O. Box 12382 Fort Worth 16, Texas	1/20	1/20	1/20
# SOUTHERN MINERALS CORPORATION P. O. Box 716 Corpus Christi, Texas	2/15	2/15	2/15
% SALLY SAUNDERS TOLES P. O. Box 1300 Roswell, New Mexico	1/96		

THE 1/8 ROYALTY INTEREST (CONTINUED)

<u>INTEREST OWNER AND ADDRESS</u>	<u>S/2 NE/4</u>	<u>NE/4 SE/4</u>	<u>NW/4 SE/4</u>
# L. M. WARLICK Star Route "A", Box 206 Hobbs, New Mexico	1/8	1/8	1/8
# WARREN BANK AND TRUST COMPANY, TRUSTEE UNDER THE WILL OF A. W. GOAL, DECEASED Warren, Pennsylvania	3/512*	3/512*	3/512*
	*These interests are in suspense, pending ancillary probate in New Mexico.		
% NEIL H. WILLS Box 529 Carlsbad, New Mexico	1/32		
# W. A. YEAGER Box 990 Midland, Texas	1/32	1/32	1/32
# THE FLUOR CORPORATION, LTD. c/o Continental Illinois National Bank and Trust Company of Chicago Chicago, Illinois	1/8	1/8	1/8

# - These interest owners own uniformly throughout the entire 160 acres; hence, no pooling consents are necessary.

% - Proper pooling authority has been granted by these parties.

@ - Need pooling authority from these parties.

AMERADA PETROLEUM CORPORATION  
P. O. BOX 2040  
TULSA 2, OKLAHOMA

AMERADA PETROLEUM CORP.

EXHIBIT 4

FIGURE

L. G. WARLICK GAS UNIT "A" #1 - EUMONT GAS ZONE COMPLETION COSTS

Drilling and completion costs and equipment shared by all zones:

<u>Description</u>	<u>Total Amount</u>	<u>Amount To Eumont</u>
Stake location	\$ 50.10	\$ 12.52 ✓
Location damage	350.00	87.50 ✓
Road and location	1,704.38	426.09 ✓
Cellar lumber, concrete and cover cellar after completion	329.88	82.47 ✓
Fill pits	111.10	27.75 ✓
9-5/8" casing	3,993.42	998.36 ✓
Welding on 9-5/8" casing	145.42	36.35 ✓
Float equipment - 9-5/8"	240.92	60.23 ✓
9-5/8" casing nipple	63.07	15.77 ✓
Trucking on 9-5/8" casing	121.82	30.45 ✓
Material for racks	105.37	26.34 ✓
Revel coupling and make rabbit	50.00	12.50 ✓
Cementing expense - 9-5/8" casing	334.66	83.66 ✓
Cement for 9-5/8" casing	1,241.71	310.43 ✓
Anchors	157.56	39.39 ✓
Christmas trees and well head equipment	4,703.00	1,175.57 ✓
2-7/8" casing (3636' x .85526 ÷ 2)	5,761.02	1,554.86 ✓
Float equipment - 3 strings	453.80	75.64 ✓
Cementing 2-7/8" casing	763.67	127.26 ✓
Cement for 2-7/8" casing	5,305.98	884.24 ✓
Testing 2-7/8" casing	915.43	151.04 ✓
Turbolizers - 2-7/8" casing	773.93 (3 strings)	141.65 (#3 string \$283.31)
5,554' 1-1/4" OD EUE 2.44# tubing S.H. at .7545 less 25%	3,142.87	1,571.43 (1/2) ✓

BEFORE THE

OIL COMMISSION

of New Mexico

Exhibit No. 4

2897

Drilling and completion costs and equipment shared by all zones (continued):

<u>Description</u>	<u>Total Amount</u>	<u>Amount To Eumont</u>
Baker Production Packer	\$ 469.20	\$ 234.60 (1/2) ✓
Trucking on 1-1/4" tubing	51.37	25.68 ✓
Sliding sleeve and blanking plug	689.21	344.60 ✓
Logging Expense (including bonding log on #3 string)	1,769.50 1,069.94 (#1 & #3)	442.37 430.03
Footage contract to drill hole - 3636' (Base of Eumont perforations) at \$4.45 per foot	16,180.20	4,045.05
Day work, logging and running casing	1,483.35	370.84
Third party charges on rental tools	<u>1,774.98</u>	<u>443.74</u>
	\$54,306.86	\$14,268.41
Drilling mud, oil for drilling, water for drilling fluid and lost circulation material		
Mud and chemicals	\$25,210.00	\$3,000.00 (Estimated)
Water and hauling	2,160.00	
Rig time due to blow out and lost circulation	<u>6,720.30</u>	
	\$54,090.30	\$17,268.41
Total Drilling and Completion Costs and Equipment Shared By All Zones	<u>\$88,397.16</u>	

Direct Charges To Eumont Zone:

Perforate	\$2,466.08
Acidize	1,473.90
Frac w/30,000 gallons oil and 30,000 <sup>lb</sup> sand	2,951.88
Test 2-7/8" casing	57.38
Baker Bridge Plug	352.92
Unit time to complete	<u>1,953.60</u>
	\$9,255.76
Grand Total	<u>\$26,524.17</u>

3.125% of \$26,524.17 = \$828.88 adjustment due Campbell & Hedrick.

AMERADA PETROLEUM CORP.  
EXHIBIT 2  
FIGURE

DIVISION OF OWNERSHIP

WARLICK "A" EUMONT GAS UNIT  
S/2 NE/4 AND N/2 SE/4 SECTION 19-21S-37E  
LEA COUNTY, NEW MEXICO

WARLICK "A" BLINEBRY GAS UNIT  
S/2 NE/4 AND NW/4 SE/4 SECTION 19-21S-37E  
LEA COUNTY, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
S. 115 Fe, New Mexico

Amerada Exhibit No. 2  
Case No. 2 F 27



DIVISION OF OWNERSHIP FOR THE

S/2 NE/4 and N/2 SE/4 of Sec. 19-213-37E

<u>INTEREST OWNER AND ADDRESS</u>	<u>THE 7/8 WORKING INTEREST</u>		
	<u>S/2 NE/4</u>	<u>NE/4 SE/4</u>	<u>NW/4 SE/4</u>
AMERADA PETROLEUM CORPORATION P. O. Box 2040 Tulsa 2, Oklahoma	343/512	311/512	311/512
BROSECO CORPORATION Mercantile Trust Building Baltimore 2, Maryland	33.25/512	33.25/512	33.25/512
CAMPBELL & HEDRICK, A Partnership comprised of Joe H. Campbell and O. F. Hedrick, Jr. P. O. Box 401 Midland, Texas		1/16	1/16
JOHN B. RICH Mercantile Trust Building Baltimore 2, Maryland	1.75/512	1.75/512	1.75/512
SOHIO PETROLEUM COMPANY, PP ACCOUNT #1 970 First National Office Building Oklahoma City 2, Oklahoma	70/512	70/512	70/512
THE FLUOR CORPORATION, LTD. c/o Continental Illinois National Bank and Trust Company of Chicago Chicago, Illinois	1/8	1/8	1/8

<u>THE 1/8 ROYALTY INTEREST</u>			
# J. M. ARMSTRONG Box 990 Midland, Texas	1/32	1/32	1/32
# SAMUEL TAYLOR BEARE, SR. and BETTY B. BEARE Columbian Mutual Tower Memphis, Tennessee	1/1024	1/1024	1/1024
# BEATRICE CHRISTMAN BELL 3521 Southwestern Boulevard Dallas, Texas	1/256	1/256	1/256
# C. P. BORDAGES Box 1416 Beaumont, Texas	7/64	7/64	7/64
# BARBARA CHRISTMAN BROWN Avalon Apts. #3 3011 Highland Avenue Birmingham, Alabama	1/256	1/256	1/256
© CAMPBELL & HEDRICK, A Partnership comprised of Joe H. Campbell and O. F. Hedrick, Jr. P. O. Box 401 Midland, Texas	1/8	5/32	1/8
# FRANCES J. CHRISTMAN 1425 La Salle Avenue Minneapolis 3, Minnesota	1/256	1/256	1/256
# LOUIS F. CHRISTMAN 1127 West Lexington Circle Memphis, Tennessee	3/1024	3/1024	3/1024
# J. V. CORN P. O. Box 839 Lockhart, Texas	1/64	1/64	1/64

THE 1/8 ROYALTY INTEREST (CONTINUED)

<u>INTEREST OWNER AND ADDRESS</u>	<u>S/2 NE/4</u>	<u>NE/4 SE/4</u>	<u>NW/4 SE/4</u>
# FELMONT OIL CORPORATION 285 Madison Avenue New York 17, New York	23/512	23/512	23/512
# B. T. GALE c/o First Trust Company of Saint Paul St. Paul, Minnesota	1/64	1/64	1/64
# FIRST TRUST COMPANY OF ST. PAUL, AS TRUSTEE FOR GRACE D. GALE, DECEASED St. Paul, Minnesota	1/64*	1/64*	1/64*
*These interests are in suspense, pending determination that such interests were committed to the Grace D. Gale Trust.			
# JULIAN W. GLASS, JR., TRUSTEE UNDER THE WILL OF J. WOOD GLASS, DECEASED P. O. Box 587 Nowata, Oklahoma	3/512	3/512	3/512
% SUE SAUNDERS GRAHAM P. O. Box 172 Salt Lake City 10, Utah	1/96		
# GRARIDGE CORPORATION Box 1110 Graham, Texas	1/15	1/15	1/15
% ELYSE SAUNDERS PATTERSON 6444 Indian Lane Shawnee Mission, Kansas	1/96		
@ FRANK HAYNES Grantville, Kansas		1/32	1/64
@ JAMES ARTHUR HAYNES 6506 Northeast 33rd Street Portland 11, Oregon			1/128
@ ESTATE OF JAMES R. HAYNES, N.C.M.; FRANK HAYNES, GUARDIAN Grantville, Kansas			1/128*
*This interest in suspense, pending evidence that a New Mexico Guardian was appointed. Frank Haynes is the Kansas Guardian.			
@ WILLIAM G. KENDALL, DECEASED c/o Mrs. Veronica Kendall Felt 1265 Wilshire Drive Union, New Jersey			1/32**
**This interest in suspense. After completion of Title requirements, 1/2 of this interest will go to Veronica Kendall Felt, with the other 1/2 going to Rose Kendall For Life and the Remainder to Richard W. Kendall and Rosemary K. Geary, equally.			
# PHILLIPS INVESTMENT CORPORATION 806 South Denver Tulsa 19, Oklahoma	3/512	3/512	3/512
# ESTATE OF WOODLAN P. SAUNDERS, DECEASED; VIRGINIA LEE SAUNDERS, EXECUTRIX 1442 Seville Road Santa Fe, New Mexico	1/64	1/64	1/64
# SPARKS HEALEY COMPANY, A CO-PARTNERSHIP P. O. Box 12382 Fort Worth 16, Texas	1/20	1/20	1/20
# SOUTHERN MINERALS CORPORATION P. O. Box 716 Corpus Christi, Texas	2/15	2/15	2/15
% GRACE SAUNDERS TOLSON	1/96		

THE 1/8 ROYALTY INTEREST (CONTINUED)

<u>INTEREST OWNER AND ADDRESS</u>	<u>S/2 NE/4</u>	<u>NE/4 SE/4</u>	<u>NW/4 SE/4</u>
# L. M. WARLICK Star Route "A", Box 206 Hobbs, New Mexico	1/8	1/8	1/8
# WARREN BANK AND TRUST COMPANY, TRUSTEE UNDER THE WILL OF A. W. GOAL, DECEASED Warren, Pennsylvania	3/512*	3/512*	3/512*
	*These interests are in suspense, pending ancillary probate in New Mexico.		
% NEIL H. WILLS Box 529 Carlsbad, New Mexico	1/32		
# W. A. YEAGER Box 990 Midland, Texas	1/32	1/32	1/32
# THE FLUOR CORPORATION, LTD. c/o Continental Illinois National Bank and Trust Company of Chicago Chicago, Illinois	1/8	1/8	1/8

# - These interest owners own uniformly throughout the entire 160 acres; hence, no pooling consents are necessary.

% - Proper pooling authority has been granted by these parties.

@ - Need pooling authority from these parties.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
September 18, 1963

regular HEARING

IN THE MATTER OF:

Application of Amerada Petroleum Corporation for compulsory pooling, Lea County New Mexico, force-pooling all mineral interests, Eumont Gas Pool, S/2 NE/4 and the N/2 SE/4 of Section 19, TS 21 South, Range 37 East. And Application of Amerada Petroleum Corporation for compulsory Pooling, Lea County, New Mexico, force-pooling all mineral interests in Blinbry Gas Pool, S/2 NE/4 and NW/4 SE/4 of Section 19, Township 21 South, Range 37 East, Lea County, New Mexico.

Case No. 2897  
& 2898

BEFORE: Honorable Jack M. Campbell, Governor  
E. S. "Johnnie" Walker, Land Commissioner  
A. L. (Pete) Porter, Secretary-Director

TRANSCRIPT OF HEARING

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BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
September 18, 1963

REGULAR HEARING

IN THE MATTER OF:

Application of Amerada Petroleum Corporation  
for compulsory pooling, Lea County, New  
Mexico, force-pooling all mineral interests,  
Eumont Gas Pool, S/2 NE/4 and the N/2 SE/4  
of Section 19, Township 21 South, Range 37 East.  
And Application of Amerada Petroleum Corporation  
for compulsory pooling, Lea County, New  
Mexico, force-pooling all mineral interests  
in Blinbry Gas Pool, S/2 NE/4 and NW/4 SE/4  
of Section 19, Township 21 South, Range 37  
East, Lea County, New Mexico.

CASE NO.

2897 & 2898

BEFORE: Honorable Jack M. Campbell, Governor  
E. S. "Johnnie" Walker, Land Commissioner  
A. L. (Pete) Porter, Secretary-Director of Commission

TRANSCRIPT OF HEARING

MR. PORTER: Case Number 2897.

MR. DURRETT: Application of Amerada Petroleum  
Corporation for compulsory pooling, Lea County, New Mexico.

MR. PORTER: I would like to call for appearances.

MR. KELLAHIN: Mr. Jason W. Kellahin, of Santa Fe,  
representing the applicant. I have associated with me, Mr. Tom  
Lynch, a member of the Oklahoma Bar.



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MR. MORRIS: If the Commission please, I am Richard Morris of Seth, Montgomery, Federici & Andrews, of Santa Fe, New Mexico, appearing in this case and in the next case, on behalf of Campbell & Hedrick, a Partnership, from Midland, Texas.

MR. KELLAHIN: If the Commission please, while the units involved here cover the same land, they do cover the different formations in the two cases which are on the docket. However, I think insofar as the issues between Amerada Petroleum Corporation and Campbell and Hedrick are concerned, it is possible they are substantially the same, and for that reason, we would suggest that the two cases be consolidated for hearing.

MR. MORRIS: If the Commission please, we would have no objection to that request, and suggest that the cases be consolidated.

MR. PORTER: The Commission will consolidate the two cases for the purpose of taking testimony.

MR. KELLAHIN: We will have one witness I would like to have sworn, please.

MR. DURRETT: If the Commission please, I will swear all the witnesses at this time, if you attorneys will have them rise.

MR. PORTER: Do you have a witness, Mr. Morris?

MR. MORRIS: Yes, sir, I do.

(Witnesses sworn)

MR. PORTER: Mr. Kellahin, you may proceed with the applicant's case.



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RICHARD L. HOCKER

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

DIRECT EXAMINATION

BY MR. KELLAHIE:

Q Would you state your name, please?

A My name is Richard L. Hocker.

Q By whom are you employed and what position, Mr. Hocker?

A I am employed by Amerada Petroleum Corporation as  
Petroleum Engineer.

Q Have you ever testified before the Oil Conservation  
Commission of New Mexico before, Mr. Hocker?

A No, sir.

Q For the benefit of the Commission, would you briefly  
outline your education and experience as a Petroleum Engineer?

A I was graduated from the University of Tulsa with a  
Bachelor of Science Degree in Petroleum Engineering, and have been  
employed by Amerada Petroleum Corporation as a Petroleum Engineer for  
15 years.

Q In connection with your work with Amerada, have you worked  
in the State of New Mexico?

A Yes, sir.

Q Where?

A Well, we have a District Office in Monument, New Mexico.





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I spent several years in Monument.

Q Are you familiar with the area that is involved in the applications that are before the Commission at this time?

A Yes, sir.

Q How did you become familiar with that area?

A Well, by examining the evidence as I can determine, and by examining some of the correspondence that has been held, and examining well records that we have available.

Q All right.

MR. KELLAHIN: The witness' qualifications acceptable?

MR. PORTER: Yes, sir.

Q (By Mr. Kellahin) Now, Mr. Hocker, directing your attention to what has been marked as Amerada's Exhibit Number One, would you identify that exhibit and discuss the information shown in it, please?

A Amerada's Exhibit Number One is a surface map that locates the non-standard 160 acre Eumont Gas Unit, which is now in effect. This unit was formed as of May 31, 1962. It is a non-standard unit, Order Number R-2228. It designates the unit area with a purple arrow and all of the Eumont completions are now in existence as exhibited by the September, 1963, proration schedule. These indicate the Eumont completions only.

Q Are those the wells that are circled in red?

A Circled in red and colored red, yes, sir.

Q Does the exhibit likewise show the ownership and offsetting



the ownership in the vicinity of this proposal?

A Yes, sir.

Q Now, does the area which you say has been approved as a non-standard unit, the area which you today seek to force pool the interest?

A Yes. This is the area outlined in Section 19.

Q Now, referring to what has been marked as Amerada's Exhibit Number Two, would you identify that exhibit and discuss the information shown on it?

A Number Two, Amerada's Exhibit Number Two, is a list of ownership.

Q What is the source of the information contained on this exhibit, Mr. Hocker?

A This is the source of records that we have. We keep a regular business record and examination, I believe, was 1962.

Q Based on a title examination in 1962?

A Yes, sir.

Q Is that a record that is ordinarily kept in the ordinary course of business by Amerada?

A Yes.

Q Now, in regard to the working interests, they are shown on the exhibit; is that correct?

A Yes, sir.

Q And the royalty interests are set out in full; is that correct?



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A That is correct.

Q Are there any overriding royalty interests involved?

A No.

Q Have all of the working interests agreed to the formation of the unit involved in this application?

A All working interests have agreed except Campbell & Hedrick.

Q And how about the royalty interests?

A All have agreed except those marked with a symbol set out as a legion on the last page. It is an "A" in a circle, and those interests are set out, royalty who have not signed. I believe that all of these interests are under Campbell & Hedrick's ownership.

Q And the other interests that are designated on the last, have they agreed to the unit?

A Yes.

Q Or, is this agreement required in all cases?

A Well, agreement isn't required in all cases, because there are - - their ownership is uniform under the 160- -

Q How are they designated on the exhibit?

A With a Pound mark, I believe it is called.

Q And those marked with a percentage mark, are those the ones who have agreed?

A Yes, sir.

Q What effort has been made to obtain voluntary pooling of



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the working interests and royalty interests involved that have not yet agreed to this?

A There have been protracted negotiations resulting in a difference of opinion over the allocation of well costs incident to changing the well cost to the present non-standard gas units. Campbell and Hedrick's interest is different, but- - with the north half of the unit compared to the south half of the unit.

Q Campbell and Hedrick do own an interest in both portions of the unit; is that correct?

A That is correct, but they are different.

Q Ownership is different. What would the effect of pooling this tract be upon Campbell and Hedrick's interest?

A Well, the effect would result because of formation of a non- - a larger gas unit so that in effect, that their interest in the gas unit as such would be smaller.

Q Now, have Campbell & Hedrick participated in the drilling of wells to which the unit will be dedicated?

A Yes, sir.

Q They have paid their proportionate share of the cost?

A Yes, sir.

Q Based on an 80 acre unit?

A Yes, sir.

Q Referring to what has been marked as Exhibit Number Three, would you identify that exhibit and discuss the information shown on it?



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A Exhibit Number Three is a cross section, including the three wells concerned, drilled in this one hundred sixty acre tract. It shows the formation tops. It indicates the overall production or productivity perforation in the Warlick "A" Number One, which the unit well for non-standard- - There is a completion, quadruple completion. Gas well in the Eumont, oil well in the Grayburg, an oil well in the Blinebry, and an oil well in the Drinkard.

Q Now, in making the allocation cost, what factors did you take into consideration, Mr. Hocker?

A Well, this well completion in the Eumont is a part of one string. There were three strings of two and 7/8ths casing set. The Blinebry and the Eumont are dual completions within one of the strings of 2 and 7/8ths inch casing. Therefore, we allocated the cost on a per item basis as shown in our Exhibit Four. It being a quadruple completion- -

Q Yes, it being a quadruple completion, did you allocate one-fourth of the well cost to the Eumont?

A In general. However, there are exceptions. If you have Exhibit Four, there is 25 percent down to the item which says two and 7/8ths casing.

Q This is Exhibit Four you are referring to now?

A This is on Exhibit Four. There are some differences. We allocated in general those items which could be allocated equally to four completions and then, those items which could be allocated



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only to the string of casing in which it is incident to production for the Eumont. And then, separately, further, those items which were chargeable only to the Eumont.

Q Now, did you have any difficulty in the drilling and completion of this well?

A Yes, sir. There was difficulty. The well blew out at four thousand feet, which is beneath the base of the last perforation in the Eumont, and there was some losses of circulation and there were some expensive testing of two other zones.

Q Now, did you allocate these costs to the cost of the completion in the Eumont?

A No, sir, we did not.

Q The Eumont is a shallower zone?

A The Eumont is a shallower zone and we felt this wasn't necessary.

Q Now, in your previous testimony, you stated that Campbell and Hedrick owned an interest in the South Half of the unit, and also, in the North Half of the unit. The interest in the South Half is a working interest?

A Yes, sir.

Q Is the interest in the North Half a working interest?

A No, sir.

Q Royalty interest?

A Yes, sir. Royalty interest.

Q You, also, testified that approval of this unit will, and



the pooling of the interests in this unit will, in effect, dilute the interest of Campbell & Hedrick.

A Yes, sir. We feel that we owe them some money, and part of the difference of opinion, I think, is how much.

Q Now, would you outline briefly and give the figure as to the Eumont completion, how you arrived at this figure, as to what Campbell & Hedrick's interest is and what the figure is?

A For the Eumont Gas Unit, a change in interest from Campbell & Hedrick would be from 6.25 percent of the working interest to 3.125 percent of the working interest, or a net change of 3.125 percent of the working interest. Therefore, we took, on Exhibit Four, and allocated those costs which are attributable to the Eumont Gas Zone, and which came out to be "\$26,524.17, and multiplied this number by their change in interest in the unit, and the answer that we come up with that is due, adjustment to Campbell & Hedrick, \$828.88, for this zone only.

Q Has there been any production from this well?

A No, sir.

Q Is it presently connected- -

A I say no production. It does not have any gas sales to a pipeline.

Q There is or has been no gas sales from the well?

A No.

Q Have you allocated any costs insofar as Campbell & Hedrick are concerned, other than- -



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A This was cost of drilling and completing. They had no overhead or any other costs computed into it.

Q This is solely then the drilling and completion of the well?

A Yes, sir.

Q On that basis, you propose to make a refund to Campbell & Hedrick in the amount of \$828.88, in the Eumont completion?

A Yes, sir.

Q Now, referring to what has been marked as Exhibit Number Five, Mr. Hocker, would you identify that exhibit and discuss the information shown on it?

MR. PORTER: Have you passed Exhibit Five, Mr. Kellahin?

MR. KELLAHIN: If it please the Commission, the other envelope pertains to Case 2898.

MR. DURRETT: Marked as Exhibit One, except on the official copy marked by the reporter.

GOVERNOR CAMPBELL: What is the unit shown on this?

MR. KELLAHIN: It is 120 acre unit, Governor Campbell. The reporter in marking them marked our Exhibit Number One in Case 2898 as Exhibit Number Five in the consolidated case.

Q (By Mr. Kellahin) Would you identify the Exhibit Number Five, please?

A Exhibit Number Five is a surface map of the area showing the 120 acre non-standard Blinbry Gas Unit as outlined. It indicates with a yellow arrow the unit, Amerada Warlick "A" No. 2.





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This non-standard 120 acre Blinebry Gas Unit was ordered July 17, 1963, Order Number R-2523. The Blinebry completions are indicated in green. There are Blinebry Oil completions, and there are Blinebry Gas completions in this area. These completions were taken from the September, 1963, proration schedule.

Q Now, the well would appear to be excluded from the unit in a rectangular shape, is that an oil well?

A This was the well we discussed in the prior discussion on the other map, Exhibit One, which is an oil well in the Blinebry which is the Warlick "A" No. 1.

Q And therefore, is excluded from the unit?

A Gas unit, yes, sir.

Q In this gas unit?

A That is right.

Q Now, referring to what has been marked as Exhibit Number Six, would you identify that exhibit and discuss the information on it?

A Exhibit Number Six is the ownership. In fact, it is the same ownership list.

Q The ownership is identical?

A As Exhibit Two.

Q There is no difference in the ownership as to the Blinebry and the Eumont; is that correct?

A No. That is right.

Q Now, in regard to the formation of this unit, have all the



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interests agreed to the formation of the 120 acre non-standard unit?

A Same situation exists in the Blinebry as to the Eumont. We have negotiated and are unable to agree at all to the amount of compensation.

Q The same situation exists on the royalty ownership as well as the working ownership; is that correct?

A Yes.

Q The percentage of interest would, however, be different, would it not?

A Yes, the change in interest would be different.

Q Now, what would the change in interest be?

A Well, the change in interest would result in a decrease in ownership of Campbell & Hedrick from 6.25 to 2.0833, or a decrease of 4.1667 percent.

Q Now, referring to what has been--

A Of the working interests. Excuse me.

Q Working interests. Referring to what has been marked as Exhibit Number Seven, would you identify that exhibit and discuss it for us, the information on it?

A Exhibit Number Seven is the same basic cross section with different markings on it. It indicates the completion in the Warlick "A" Number 2. The Warlick "A" No. 2 is a quadruple completion as was Number One, but in different zones.

Q Would you briefly discuss the completion history of this



well?

A The Warlick "A" Number 2 is a Drinkard oil well, a Blinebry gas well, which is the subject of this case, the Paddock oil zone and Grayburg oil zone. Again, where we have three oil completions and one gas completion.

Q And have you made an exhibit showing the drilling and completion costs of this well?

A Yes, sir.

Q Would you identify that exhibit and discuss it?

A Exhibit Number Eight, the Warlick "A" No. 2 was completed with four strings of two and 7/8ths inch casing. Therefore, the calculations are slightly different. All of the numbers down to the total drilling and completion costs and equipment shared by all zones is 25 percent. We don't have the problem before- - as before of having a dual completion in one string of casing. Then, thereto is added charges to the Blinebry zone, which results in a number of \$30,943.23, as the allocated cost to the Blinebry gas completion. This number multiplied by 4.1667 percent, which is the change in Campbell & Hedrick's interest, results in an adjustment to Campbell and Hedrick of \$1,289.31.

Q Did you arrive at that figure in the same manner that you did the figure on the Eumont completion?

A Basically the same procedure.

Q Basically the same procedure. Mr. Hocker. in your opinion, will the approval of this application- - the applications involved



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here result in the prevention of waste and avoid the drilling of an unnecessary well?

A Yes. The drilling of an unnecessary well or unnecessary expense of recompleting since there are many quadruple and multiple completions in this area.

Q Would the approval of these applications result, in your opinion, in each owner in the unit receiving his just and equitable share of the gas underlying the unit?

A Yes, sir.

Q In your opinion, is the allocation of the cost back to Campbell & Hedrick as computed by you a fair and equitable means of adjusting the dilution of their interests in these two wells?

A In my opinion, it is, sir.

Q Were Exhibits One through Eight prepared by you, or under your supervision?

A Yes.

MR. KELLAHIN: At this time, I would like to offer in evidence Exhibits One through Eight, inclusive.

MR. PORTER: Without objection, the exhibits will be admitted to the record.

(Whereupon, Amerada's Exhibits One through Eight were admitted into evidence by the Commission)

MR. KELLAHIN: That is all I have on direct examination.

MR. PORTER: Anyone have any questions of the witness?

\* \* \* \* \*



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CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Hocker, you stated in direct examination that you had reviewed the evidence in the files of your company concerning the two wells, and the acreage to be dedicated to them as concerns this case today; is that correct?

A Yes, sir.

Q Could you remember when the well Number One- - I am going to be referring to these as Wells Numbers One and Two, as designated on your Exhibit.

A You mean Warlick "A" 1 and Warlick "A" 2?

Q Yes.

A Yes, sir.

Q Could you remember when the Well Number One was first proposed to be drilled?

A Well, I could give you- - No, I don't really have that date. I know when the well was completed.

Q Do you know when the first approach was made by your company to Campbell and Hedrick concerning the drilling of this well?

A No. That is not normally in my province. I can't recall the exact date.

Q Are you familiar with the negotiations that your company was involved in with Campbell and Hedrick concerning the acquisition



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of their acreage, or their consent to the operation of their acreage by Amerada?

A Well, our records reveal that an operating agreement was signed by Campbell and Hedrick prior to the drilling of the Number One well.

Q Are you familiar with that operating agreement?

A Not extremely so, no. I do know that it exists.

Q Have you ever seen it?

A I have seen the cover of it.

MR. MORRIS: Ask the reporter to mark this as Campbell & Hedrick's Exhibit Number One, please. Mr. Hocker, I hand you what has been marked as Campbell & Hedrick's Exhibit Number One, and ask you to examine that document, please?

A Yes, sir.

Q Is that Exhibit Number One that you have in front of you an operating agreement dated July 22, 1961?

A Yes, sir.

Q And between what parties is that operating agreement effecting? Maybe I could--

A I think it was executed by all working interests.

Q Is it executed by Amerada?

A Yes, sir.

Q Was it executed by Campbell & Hedrick?

A Yes, sir.

Q Referring to an attachment to the operating agreement, would



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you state the acreage covered by the agreement?

A I don't find an Attachment A, but my understanding of this operating agreement, this applies- -

Q Exhibit A near the back of the operating agreement.

A I think that it applies to the South Half of the 160 acres of the unit.

Q That would be the North Half of the Southeast Quarter of Section 19?

A Yes, sir.

Q Now, do you know, Mr. Hocker, whether that agreement has ever been superseded as far as Campbell & Hedrick are concerned?

A I don't believe it has, sir.

Q It would still be in effect as to Campbell & Hedrick?

A Yes.

Q Now, I believe we have noted that the date of that operating agreement was July 22, 1961. At that time, what zones were contemplated as being productive in the Well Number One?

A Well, I think that there were many more pays in addition, more than four possibly.

Q Well Number One had not yet been drilled at that time?

A That is right. Had not been drilled yet, at this time.

Q But, multiple completion was in prospect?

A Anticipated.

Q Was it anticipated at that time that some of those zones would be productive of gas?



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A Well, the possibility was realized that it could be. There are gas wells in the area.

Q There are Eumont Gas wells encircling this 80 acres belonging to Campbell & Hedrick?

A Yes, sir.

Q There are some Blinebry Gaswells in the area?

A They are some in the area, yes, sir.

Q There were at that time?

A There were at that time.

Q So, at the time this operating agreement was entered into by Amerada and Campbell & Hedrick, it was known by Amerada that the acreage was potentially productive of gas?

A It was a possibility that it could produce gas.

Q Was there- - Was this factor brought to your attention, I say your attention, to the attention of Amerada, by Campbell & Hedrick?

A That, I don't know.

Q May I ask you if you are acquainted with a Mr. J. B. Denton?

A I know Mr. Denton.

Q Is he employed by Amerada?

A Yes, sir.

Q In what capacity, please?

A He is, I believe, correct me if I am wrong, I believe he is District Land man in Midland, Texas. Assistant. Excuse me.





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Q Are you familiar with a Mr. John Cornwall?

A I believe, then, that he is the District Land man in Midland, Texas.

Q With Amerada?

A Yes, sir.

Q Are you familiar with any of the correspondence between Mr. Hedrick, Mr. Denton and Mr. Cornwall in August of 1961?

A I have seen some letters, by Mr. Cornwall and Mr. Denton.

Q All right.

MR. MORRIS: Ask that these be marked, ask that the reporter mark these documents as Campbell & Hedrick's Exhibits Two, Three and Four, please. Mr. Hocker, I hand you what has been marked as Campbell and Hedrick's Exhibit Number Two, which purports to be a letter from Mr. Hedrick, a copy of a letter from Mr. Hedrick to Mr. Cornwall of your company, and ask you if you have previously seen that letter, and are familiar with its contents?

A The date of this letter is August 4, 1961, letter from Mr. Hedrick to Mr. Cornwall.

Q Are you familiar, have you seen that letter before?

A No, sir, I don't believe I have seen this letter. This may be an oversight.

Q I hand you what has been marked as Campbell & Hedrick's Exhibit Number Three and Four, which purports to be letters from Mr. John Cornwall of your company to Campbell & Hedrick, and an



interoffice memorandum of your company between Mr. Cornwall and Mr. Denton, dated August 14th and August 11th respectively, and ask you if you have previously seen those documents and are familiar with the contents of them? Excuse me.

A Excuse me, let me refer to some correspondence I have. I have seen Exhibit Four.

Q Exhibit Four, being the copy of the interoffice memorandum?

A This is a letter from- - to Mr. Cornwall from Mr. Denton.

Q And in that letter from Mr. Denton to Mr. Cornwall, reference is made in the first paragraph to Campbell & Hedrick's letter of August 4th, which is Exhibit Number Two; correct?

A Yes, that is correct.

Q Could you state briefly the position that your company took in the memorandum of August 11, 1961, concerning first the dedication of acreage to gas wells in this area and the allocation of cost to wells?

A Well- -

MR. KELLAHIN: If it please the Commission, we object to the question on the ground that the witness is not qualified to answer as to the position of the company.

MR. MORRIS: If the Commission please, I submit the witness has testified he is familiar with the contents of this memorandum. I have ask him to explain to the Commission his understanding of the letters that I have him referring to.



MR. KELLAHIN: If the Commission please, the letter itself speaks for itself, refers to items I submit this witness is not qualified to discuss pertaining to drilling costs, items of that nature, which he has not shown to be familiar with.

MR. MORRIS: In deference to Mr. Kellahin, I will withdraw this question to the witness and bring this matter out on direct examination of our own witness.

Q (By Mr. Morris) Mr. Hocker, are you aware of when Well Number One was drilled?

A Yes, sir.

Q When was it commenced, approximately?

A I have the completion date before me, but I think I better refer to my notes. Warlick "A" No. 1 was spudded on January 12, 1962.

Q And do you have the date that that well was completed?

A February 16, 1962.

Q Do you have the date that that well was completed in the Eumont gas zone?

A So many completions, it takes a while to find it, if you are looking for an exact date. Completion tests for the Eumont gas zone was on April 23, 1962.

Q While you have it there in front of you, Mr. Hocker, did you also have the potential of the Eumont zone at that time?

A Well, I don't have the potential at that time. I have a further test later. Tested by Norge Natural.



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Q Will you give us that information, please?

A I think this is probably more impartial. The test shown is a delayed report of June 1, 1962. Test was run on June 1st, the shut in well head pressure after 71 and a half hours was 618 pounds. The calculated absolute open flow was 881 MCF per day. The calculated well head potential was 802 MCF. Deliverability at 100 pounds was 102.779 MCF per day.

Q Would you consider that a pretty good well in the Eumont, Mr. Hocker?

A There are better wells.

Q Would you consider that a pretty good well?

A Probably make its allowable.

Q Make its allowable for 160 acre unit?

A Yes.

Q Do you have any idea how long it might make that allowable, Mr. Hocker?

A No, I don't. We have no production history on this well. Hasn't been any gas sold in the line.

GOVERNOR CAMPBELL: Has no gas been sold?

A There is no connection, has been no gas pipeline from this well. We are held up slightly by FPC.

MR. PORTER: What do you mean by slightly?

A Well, slightly is enough, sir.

MR. PORTER: I mean the period of time involved.

A Well, the well was completed in 1962. We have been unable to sell gas yet.



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MR. PORTER: And this delay is due to inaction of the FPC on your application to sell gas?

A Partly.

GOVERNOR CAMPBELL: What other parts?

A The other part happens to be - Well, I am not an attorney, but I understand there is an objection, or we have objection from Campbell & Hedrick until this is settled. Now, this may be putting it in layman terms. I am not an attorney. I understand there is difficulty with Campbell & Hedrick.

Q (By Mr. Morris) Mr. Hocker, in Well Number One, were all the zones that were tested in that well found to be productive?

A Oh, no, sir. But, four were completed.

Q Some zones were tested then that were not found to be productive?

A That is right. I think the San Andres and the Paddock were tested in this zone and not completed.

Q Did you have reasonable expectation of finding production in some of the zones that when tested did not turn out to be productive?

A Well, these are zones that produce places in the general area and there is always the expectation that they could be productive, yes.

Q Now, I believe you have testified that Campbell & Hedrick have paid their share of well cost as to Well Number One?

A Yes, sir.



Q Were those costs paid in the normal course of business as billed?

A It is my understanding they were.

Q Have they been fully paid?

A Yes, sir.

Q As to all zones?

A Well, under the operating agreement, which you referred to as Exhibit Number- - your Exhibit Number One, why, they were all the same interest at that time.

Q They were paid according to an operating agreement; is that correct?

A Yes, sir.

Q And that agreement as we have already established was covered only- - covered only 80 acres, being the North Half of the Southeast Quarter of Section 19?

A Which is the South Half of the 160 acre unit, yes, sir.

Q Campbell & Hedrick paid according to their percentage in that 80 acre tract?

A Yes, sir.

Q That percentage being- -

A 6.125 of working interest.

Q Or, in fractions, terms of 1/16th working interest?

A Yes. Being an engineer, I rather use decimals than fractions.

Q Now, at the time Well Number One was commenced, Mr. Hocker,



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what was the acreage dedication to this well?

A Well- -

Q Are you aware of what the acreage dedication was?

A Well, if there were oil wells, I would assume they would be 40 acres since the spacing in the area for oil is such. Since it turned out to be gas, at that time allocated all of the 80 acres to it.

Q All of the 80 acres to it?

A Yes, sir.

Q Has more than the 80 acres in which Campbell & Hedrick have an interest been dedicated to this Well Number One?

A The unit has been formed for this zone and the unit well designated by the Commission order.

Q That was after the well was drilled and completed; is that correct?

A Yes, sir.

Q And potentialized?

A I think so, yes.

Q Now, going to Well Number Two, for a moment, Mr. Hocker, do you know when that well was commenced?

A Yes, sir.

Q Well Number, Warlick "A" No. 2, was spudded when?

A Warlick "A" No. 2 was spudded on 24th of June, 1962.

Q And when was that completed and especially as to the Blinbry zone?



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A Well, the well show a completion date of 24th of July, 1962.

Q Could you give us the date that was completed in the Blinebry zone and what the potential was in the Blinebry?

A I have a potential test listed for the Blinebry on September 1st. You wanted completion on the Blinebry. Let me see. The Blinebry was perforated on July 27, 28, 1962. First gas production was on August 4, 1962. Gas test, I say, not--

Q What did the Blinebry zone potential?

A Potential test, again I have a <sup>bottom</sup> Norge Natural test, if that is satisfactory.

Q Yes.

A Dated October 19, 1962, the calculated absolute open flow was 6,221 MCF per day; calculated well head potential was 5,844 MCF per day. The deliverability at 500 pounds was 5,400 MCF per day.

Q Would you say that was a pretty good Blinebry well, Mr. Hocker?

A I think it was a pretty good Blinebry well, yes, sir.

Q Did Amerada expect to find gas in the Blinebry zone in this well Number Two?

A There is always that possibility. The Number One was drilled prior to Number Two, and it was an oil well. There were oil wells drilled prior to Number Two, pretty well surrounding this. However, this did come in as a gas well.





Q You completed this well somewhat differently and perforated at somewhat different intervals than your well Number One, did you not?

A Well, the Blinebry is relatively thick zone and there completions are obtained at different intervals throughout.

Q Do you know what the acreage dedication to this well Number Two was at the time it was commenced?

A In what zone, sir?

Q What was shown on the acreage dedication plat filed along with your notice of intention to drill?

A I would assume it would be the 40 acres, which the drill site was located.

Q Do you know whether any acreage dedication plat ever has been filed dedicating any other acreage to this well?

A I don't know.

Q Now, Mr. Hocker, when did Amerada first decide that they wanted to throw in this other 80 acres, being the South Half of the Northeast Quarter, together with Campbell and Hedrick's acreage on which Wells One and Two are located?

A Well, superseding, the operating agreement was prepared and submitted following the drilling of Warlick A Number One, prior to the drilling of Number Two, which had several purposes, and the main difficulty, of course, was that at this time we had a gas completion in Warlick "A" Number One, and in order to keep from having additional expense, and to enable us to dedicate more



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acreage on the Warlick "A" Number One for gas, why, we started this operating agreement. As I understand it, Campbell & Hedrick had a reading copy of this operating agreement for about a year, and that they were last to - - on the list for execution of the operating agreement. And they had this copy of the executed agreement, except for Campbell & Hedrick, approximately four or five months before they rejected it.

Q Campbell & Hedrick has never signed any operating agreement of any type - - of the type that you are referring to?

A No, sir, that is correct.

Q So, the north 80 here in which Campbell & Hedrick owns no working interest, was not proposed as a non-standard gas unit until after Number One was drilled and completed; is that correct?

A That would be right.

Q And at which time Campbell & Hedrick had paid in full their proportionate interest in the well Number One, according to the 80 acre operating agreement?

A If they hadn't paid at that time, they did later.

Q Now, by putting this north 80 acres in at a later date, Mr. Hocker, did Amerada take any risk at all in the drilling of Wells Numbers One and Two?

A Well, do you mean - - What kind of risks do you mean, sir?

Q What I am kind of getting at, Mr. Hocker, was Amerada sitting there owning this 80 acres, being the South half of the



Northeast Quarter, and decided to put it into the gas unit only after they had a look at the potentials of wells Number One and Two, and decided that they were pretty good wells?

A Well, if you remember, this was the one that you thought was not a very good Eumont gas well anyway.

Q I think it is a pretty good well.

A Excuse me. I misunderstood your line of questioning. But, this is true, the well had been potentialized before the operating agreement was circulated.

Q In any event, Amerada appears to have taken a wait and see attitude to putting in their 80 acres; is that right?

MR. KELLAHIN: If the Commission please, that calls for a conclusion on the part of the witness, which he is not qualified to make, what Amerada may have been doing. He may have his own attitude. I am sure he is competent to testify to it.

MR. PORTER: Objection sustained.

Q (By Mr. Morris) Would you say that that was your attitude, Mr. Hocker?

A Well, not having been concerned with it at that time, I don't know what my attitude would have been at that time, if you are asking what it was then.

Q Now, as to Well Number Two, Mr. Hocker, if Campbell & Hedrick had refused to participate and pay their share of the well costs in that well, Well Number Two, what would have been their- - Does the operating agreement make any provision as to how they



would have been treated as non-consenting parties?

A Well, if Campbell & Hedrick had been approached and they had refused to join, which would be non-consent, there is a penalty clause, a standard penalty clause, for those parties who are non-consenting.

Q You say a standard penalty clause?

A Yes. 200 percent.

Q 200 percent. Just how would that work, Mr. Hocker?

A Well, their interest would - - money remitted to Campbell & Hedrick would start after the well cost had been recovered in the extent of 200 percent.

Q But, Campbell & Hedrick did go ahead and pay?

A Yes, sir.

Q They didn't come within that non-consent?

A No, sir. In my opinion, neither of the parties had.

Q I think we have agreed, have we not, that by adding this north 80 in which Campbell & Hedrick has no working interest, that their working interest in both of these wells will be reduced?

A Insofar as these zones are concerned, yes, sir.

Q Yes, sir. Now, as long as each of these wells remain top allowable, Mr. Hocker, do you believe that Campbell & Hedrick's correlative rights would be protected?

A Yes, sir. This field was allocated on one percent acreage basis.

Q What is going to happen as soon as those wells go below



top allowable? That is sure to happen, isn't it, sooner or later?

A Usually that happens in the life of any gas field.

Q All right, sir. What is going to happen to Campbell & Hedrick's correlative rights when that happens?

A Their interest would be a smaller interest in a smaller number.

Q Their correlative rights are going to be impaired, are they not?

A Well- -

MR. KELLAHIN: If the Commission please, that is a legal conclusion, which the witness is not qualified to make.

MR. MORRIS: If it please the Commission, on direct examination, Mr. Hocker was ask if, in his opinion, the correlative rights were going to be protected. I believe that he is qualified to state an opinion.

MR. PORTER: The Commission would like to have the witness answer the question, if he can.

A It is rather a good question.

MR. PORTER: Is that your answer?

A Yes, sir. This is quite a normal procedure at any time in which acreage is executed to a well. Any time it causes the allowable to be greater, it is not an abnormal case. It happens all the time. This one percent acreage allocation, if this were followed to the other end, the conclusion would be then that each well should be on as small tract as possible to make sure that when



the well is less productive, that everybody would have right down to the last one tenth of one percent.

Q (By Mr. Morris) It would also protect the correlative right, Mr. Hocker, if the operating agreements were formed in the first instance to cover larger areas?

A That is true. If we had known what the unit was going to be, what the Commission said the non-standard unit was going to be, probably devised some method that by using a crystal ball, we should have paid a little more on the one zone and maybe a little less in another. You have - - would have to determine ahead of time which would be to the gas well and how much would be allocated to different acreage. You might have 140, 160 and 40 acre spacing all in one well.

Q But, it was Amerada's action itself, was it not, that created the non-standard unit?

A Yes, sir. Well, we applied. Let me put it that way.

Q Yes, sir. Now, Mr. Hocker, as I understand you, you propose to pay something to Campbell & Hedrick, which, according to your figures, would represent a return to them of the amount of money put out by them to pay for their interest in the well, to represent the reduction in their interests?

A For these two zones, yes, sir. Gas zones.

Q Do you propose to pay Campbell & Hedrick in any manner for the loss that they are sure to sustain when these wells fall below top allowable?



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A There is no provision that I know of.

Q You make no such recommendation?

A I make no such recommendation.

Q Talking about correlative rights, Mr. Hocker, would Campbell & Hedrick's correlative rights be fully protected if the North 80 were not as productive in either one of these zones as the acreage where the well is located?

A I don't believe I follow your question. Would you repeat it?

Q If the South Half of the Northeast Quarter should not be as productive in the Eumont or in the Blinebry formations as the corresponding acreage in the Southeast Quarter, then, by the adding of the North 80 to the present, or to the acreage upon which the wells are actually located, would it not work to Campbell and Hedrick's detriment?

A There would be no detriment as long as the well was capable of making the allowable.

MR. MORRIS: I believe that is all I have.

\* \* \* \* \*

MR. PORTER: Anyone else have a question of the witness?

MR. NUTTER: First, I would like to ask Mr. Morris a question. Mr. Morris, Applicant's Exhibit Four and Eight are the well costs attributed to the Eumont Zone and the Blinebry Zone of the two wells. Does Campbell & Hedrick have any dispute with the amount of cost that is allocated to each of the zones as far as the



line items are concerned?

MR. MORRIS: Yes, sir.

MR. NUTTER: So, it is not only a disagreement as to the percentage of participation there, of well proceeds and well costs, it is also the line items themselves that you are wondering about?

MR. MORRIS: I think I could answer your question generally this way: I am not- - I don't know that we have any specific dispute as to whether some line items should or should not be there, but we certainly have a dispute as to how those costs are allocated as between zones.

MR. NUTTER: Between the zones?

MR. MORRIS: Yes.

MR. NUTTER: Thank you.

MR. MORRIS: And in that regard, we would contend to put on some evidence of our own through our own witness.

MR. NUTTER: I see.

\* \* \* \* \*

EXAMINATION

BY MR. NUTTER:

Q Mr. Hocker, referring first to the two wells, what is the "A" Number One completed in besides the Eumont?

A The "A" Number One is completed as a Drinkard oil well, a Grayburg oil well, and Blinebry oil well, and Eumont Gas well.

Q So, it has four zones in it?





A Yes, sir. However, there are only three strings of casing. The Blinebry and the Eumont are a dual completion.

Q Now, the Number Two well was completed in what zones?

A Drinkard as an oil well, the Blinebry as a gas well, the Paddock as an oil well, and Grayburg as an oil well. Four strings.

Q I see. Now, on your "A" Number One, you said that you charged 25 percent of the costs on a straight basis, down through the Christmas tree; is that correct?

A This is on the "A" Number One. We charged 25 percent down to where it says two and 7/8ths inch casing.

Q Down to- -

A Where it says - - this line where it says two and 7/8ths inch casing. You will find the computations in parenthesis here.

Q You got 25 percent of the cost through the Christmas tree?

A I see what you mean, as far down the line.

Q In other words, all of these items which each one of the zones is sharing equally as far as- -

A Yes, sir.

Q - -staking the location and building the road and such as that?

A That is correct.

Q Now, how about this Christmas tree itself, by going on down to the Drinkard or Blinebry, did you have to use a higher rate of Christmas tree than would have been necessary on the Eumont?



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A Yes, sir.

Q Then, would a straight 25 percent allocation on the Christmas tree be- -

A Give Campbell & Hedrick more money that way.

Q Well, it also increases the share of the cost that is attributed to the Eumont zone, though, doesn't it, if you had to use a higher pressure Christmas tree?

A Well, the more money that is attributed to the Eumont zone, the more money we have to pay Campbell & Hedrick.

Q Also, the more well costs they have to pay, however?

A Well, we are talking about now adjusting, how much we owe them for how much this well cost. So, that any item that increases the well cost increases the amount of money that we pay Campbell & Hedrick. I say, "we", I mean Amerada. Isn't that correct, sir?

Q You pay them for equipping the well for them?

A Well, we are going - - They will have a reduction in interest. The higher the well cost that is attributed to the Eumont, the greater the number in which we multiply times their reduction in interest, so that more cost in the Eumont zone, the more money we will pay Campbell & Hedrick. I think this is conservative from their- -

Q More rebate, in other words?

A Yes.

Q Yes. Now, on the 2 and 7/8ths inch casing, how did you arrive at \$1,554.86, which is charged on the Eumont? I see that



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it works out mathematically, 85 times 3636, divided by two.

A 3636 is the base of the perforation in the Eumont zone and since the Eumont zone is half a string of casing, there is a Blinbry well in this casing, too, we took the cost of per foot to the bottom of the perforation in the Eumont zone and used one-half, because of the fact that only one-half of it was used for Eumont zone.

Q This is the one that has the dual completion in one tubing string? This is tubing string?

A Yes.

Q So, you have charged half of the cost down through the Eumont perforation, half a string of tubing?

A Yes, sir.

Q Now, how about the equipment, how did you derive the - - float equipment, how did you derive the \$75.64, a fraction of \$453.80?

A The next one, two, three, four, four items are one-half of one-third. There are three strings and one-half of the one string was attributed to the Eumont zone.

Q And- -

A Well, actually, the next item is also the same, except there is an actual number for the Eumont, three strings, which is a zone which is triple completed.

Q Now, what about this one and  $\frac{1}{4}$  inch tubing; is this tubing to the Eumont only?



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A No. It goes all the way down. However, we charged half of it anyway to this zone.

Q Well, that tubing wouldn't have been necessary had not the- - Where does that tubing go, to the Blinebry?

A Down to the Blinebry.

Q That wouldn't be necessary if the Blinebry wasn't in that well, would it?

A No. But, we wouldn't have had the saving in the one-half the cost of the tubing, also. More or less tends to work in opposite directions.

Q Do they work out mathematically equal?

A Well, would you give me that question again?

Q Does the offsetting savings on the cost of casing string offset the charge for the tubing string equally mathematically?

A Would appear that they are about alike, \$1,500.00, approximately.

Q Now, over on the next page, getting into the production packer, this is the packer that separates the Blinebry?

A The Eumont.

Q And the Eumont in that zone?

A First three lines are one-half.

Q And each one of the zones share that?

A Yes.

Q Equally? Now, how about the logging expense? Is there any differential for depth on logging?



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A Yes, there is a different run depth. However, there were some logs run solely in the Number Three String and there were a great number of logs run in this well, because of the number of strings. So, that that part which is chargeable to Number Three is there, and the part as a charge in the logging expense, one quarter on that.

Q How about the first item of logging expense, \$1,769.50, is that for logging the well itself after the well was complete?

A This was on a one quarter basis. This would be for logs that were run that were of use to all four.

Q Is there any differential in charging on logging operations, or would the Eumont have gotten away with a cheaper charge per foot?

A I would think that they get away with a little cheaper charge.

Q You don't know what the exact cost- -

A No, sir, I don't have that number with me.

Q Now, how about this footage contract to drill, is that the actual cost that it cost to drill this well, or is this what a contract would have been to drill to 3636?

A I think that the contract per foot, I would have to verify this, that was used as the base, or 3636, to drill this well.

Q Did the drilling contractor actually drill from 400 to 3636?

A I might be subject to error here. I think it does. I think if I am, Mr. Campbell and Mr. Hedrick will correct me.



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Q How about day work and logging and running casing, are those sharing on the basis of one-third?

A One-fourth.

Q One-fourth. And these charges down here below are all directly attributed to the Eumont?

A Below there are direct charges to the Eumont. \$9,255.76, yes, sir.

Q This is the well you had trouble with?

A Blew out at 4,000 feet, which was below the Eumont zone.

Q So, the \$25,000.00 for mud to control the well, you haven't attributed any of that to the Eumont, just an estimate of that you have taken off?

A That is right. Just- - that is an estimate the field personnel thought was realistic.

Q Is that a real estimate for the drilling of the Eumont well by itself?

A Supposed to be.

Q On the cost on the other one, Mr. Hocker, we have again just shared 25 percent on a straight share down through, total drilling and completion cost of \$89,000.00?

A Yes, sir.

Q Now, how about the drilling contract of 6699 feet at \$5.50, is that the total cost, is that the actual charge of drilling the well, or what?

A I think I - - I make the same statement I did before. I



think that that is the drilling contract.

Q Now, this well went on down below the Blinebry?

A Yes, sir.

Q And takes in the Tubb, I believe, doesn't it?

A Went down and made a Drinkard completion which really is below the Tubb slightly. We don't have a Drinkard top, sir. We have geological trouble.

Q The last perforation there is the Drinkard?

A Yes, sir.

Q Well, now, would this cost of \$5.50 per foot be increased by having to go about- - below the Blinebry and down to the Drinkard formation? I mean, normally, don't your drilling cost per foot go up the deeper you go?

A Yes, sir, that is right.

Q Well, if we are going to take 25 percent- -

A The actual cost usually does, sir.

Q If we are taking 25 percent of the share of the drilling of a well, you have got a zone here deeper than the one that you are sharing, wouldn't the actual drilling cost come higher per foot?

A Yes, but you have less feet, sir.

Q I realize you have less feet, but you have divided up 25 percent of 6699 feet, and as I interpret your cross section, the base of the Blinebry is 5925 feet.

A Well, under my way, up there, if we do adjust in my manner, would be a lesser amount. Is that correct- -



Q As I understand it, you would have less charged to them on account of diluted interest, yes.

A Yes. I feel again that we are conservative in giving them a bigger amount.

Q And the other charges there on your exhibit are all directly attributable to the- -

A Blinebry.

Q - -Blinebry without any sharing for the other zones at all?

A That is right.

MR. NUTTER: That is all, I believe. Thank you.

\* \* \* \* \*

MR. PORTER: Mr. Durrett.

EXAMINATION

BY MR. DURRETT:

Q If the Commission please, I have one or two questions. Mr. Hocker, I am not clear at all on the operating agreement. I would like to be completely clear on it. Now, referring to your Exhibit Number One, which concerns the Eumont well, the Amerada "A" Well Number One, now, am I correct that at the time of drilling this well, there was an operating agreement covering the South Half of the unit we are talking about, which would be the 80 acres comprising the North Half of the Southeast Quarter of Section 19?

A Yes, sir.





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Q There was such an operating agreement?

A Yes, sir.

Q Now, has that operating agreement expired?

A Well, has been- - the superseding operating agreement has been signed by everyone except Campbell & Hedrick and royalty owners under their ownership.

Q All right, sir. What I am particularly interested in is this interest as between Campbell & Hedrick and Amerada, has the operating agreement been superseded, has there been a new one signed, has it expired or anything?

A To my knowledge, no, sir.

Q In the situation at the time that you applied for- - Well, first, let me state this: You were operating, or operators of this 80 acres we are speaking of at the time you applied for the non-standard proration unit; is that correct?

A Yes, sir.

Q And you had the entire interest, or all the working interests in the North Half of the proration unit, which is the South Half of the Northeast Quarter of Section 19; is that correct?

A We don't own all the working interests. It is uniform with other people, other than Campbell & Hedrick, in the South Half.

Q Well, Campbell & Hedrick have any interest in the North Half of this proration unit?

A Not a working interest.

Q Not a working interest?



A They have a royalty interest.

Q But, at any rate, at the time you applied for the non-standard unit, you were the operator of the area?

A We were the operators of the well, yes, sir.

Q Were you operating or operator of the South Half of the Northeast Quarter of Section 19?

A Yes, sir.

Q And under what type of arrangement were you the operator?

A It was pursuant to the operating agreement.

Q Pursuant to another- -

A The 80 acre operating agreement.

Q Is there another 80 acres?

A No. We have only had one, is my understanding, as far as Campbell & Hedrick- - Did I misunderstand?

Q Maybe I am confusing you here. I am talking about the North Half of the proration unit, which is the South Half of the Northeast Quarter of Section 19.

A Separate. Separate. Separate operating agreement.

Q That was a separate operating agreement that made you the operator of this 80 acres?

A Which is the North Half of the unit. We were the operator on Number One Warlick Well, which is the open circle, which is the Southeast Quarter of the Northeast Quarter, which is a Drinkard completion, and later a Grayburg completion, also.

GOVERNOR CAMPBELL: Was that working interest an operating



agreement only?

A That is right, yes, sir.

GOVERNOR CAMPBELL: With whom?

A Well, we had Fluor. It is spelled out so the same people are on this ownership here.

GOVERNOR CAMPBELL: 80 acre unit?

A Yes.

GOVERNOR CAMPBELL: In what formation?

A All formations for oil and gas.

GOVERNOR CAMPBELL: Including the Eumont and the Blinebry.

A Yes, sir.

MR. PORTER: That was the original 80 acres, the North Half of the Southeast Quarter, Governor. We are talking about the South Half of the Northeast Quarter now.

A The one which has no wells, the 80 acres that has no - have no wells in the two gas zones, Eumont and Blinebry.

Q (By Mr. Durrett) So, am I correct in this assumption, that you were operator of both of these 80 acre tracts that we are talking about, but under separate operating agreements?

A Yes, sir.

Q And nothing has changed the operating agreement that you did have with Campbell & Hedrick; is that correct?

A Yes, sir.

Q All right, sir. Now, if that operating agreement is in effect, it has provisions as to how the production will be shared



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and how the costs and all are to be shared. I believe you have testified that the cost has been paid under that agreement; is that correct?

A The wells that were drilled under those agreements were paid under those agreements.

Q All right. Now, if the Commission approves this application today, what will happen to that operating agreement?

A I don't think I know, sir.

Q You don't feel that from your own personal standpoint that your company would any longer be bound by it, do you?

A I think we would have to follow the rules of the Commission.

Q That is what I am speaking of. If the Commission issued an order force-pooling, this would be your personal opinion, that the operating agreement would be superseded, no longer in effect?

A I think that we would do what the Commission said we would have to do, the limits they said we would have to do.

Q All right, sir. I think I am straightened out on the operating agreement at the moment.

A Yes, sir.

Q Now, you testified on direct examination it was your opinion that this would prevent physical waste. You said waste, I want to know if you are talking about physical waste?

A Well, waste is defined several ways.

Q I am talking about physical waste, if you would, please?

A Well, I don't think it would impair physical waste in any



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way. I think that some of it would be economic waste. It would be necessary to recomplete other wells in all these zones. In other words, you might be faced, if you continue to operate under the 80 acre allocation, most you could ever have for a gas well would be 80 acre allocation, for a gas well. And this is not very economically attractive as compared to a - - completing a well attributing more than 80 acres.

Q Do I understand your testimony correct now, that you do feel that it will prevent economic waste if the Commission approves the application, but that you have not testified and have no opinion concerning physical waste?

A The only way that physical waste could occur would be if it became so economically unattractive that the completions were not done. In which case, why, then, the owners under the tract would not recover their fair share.

Q Now, let me ask you this question, Mr. Hocker: Since you had an operating agreement covering the South Half of this unit which is the North <sup>H</sup>alf of the Southeast Quarter of Section 19, and you were operating under that agreement, would you feel that you, in connection with Campbell & Hedrick, that you, in connection with them, were operating these lands as a unit?

A Is this a legal- -

Q I am asking if you think that that is what you were doing when you came before the Commission and asked for a non-standard unit?



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A Well, I think we were operating the - - under the operating agreement when we asked the Commission to form a non-standard agreement.

Q But, you were operating your lands as a unit before you asked for the- - when you asked for the non-standard unit, were you not, under your operating agreement?

A I don't know whether an operating agreement constitutes a unit, or not, does it?

Q Well, I am not asking for a legal conclusion whether it constitutes a unit, I am asking if you believed and do believe now that you were operating under- - your lands with the partnership as a unit?

A In my opinion, I would think we were operating it as a lease.

Q You came here and got a non-standard unit approved by this Commission, you were operating that land in conjunction yourself as a unit, were you not?

MR. KELLAHIN: If the Commission please, I don't mean to object, but it appears to me that Amerada- -

MR. PORTER: Well, Mr. Kellahin, if you could clarify this situation- -

MR. KELLAHIN: In regard to this non-standard unit, Amerada, as the operator of properties, applied for formation of a non-standard unit. Now, as to that operating agreement existing between the owners, the Commission has nothing to do with that.



That is a contract among the parties. And the Commission has no concern with any operating agreement, but just for the purpose of clarifying this thing, there was an operating agreement affecting the North Half of the Southeast Quarter and an operating agreement affecting the South <sup>Half</sup> of the Northeast Quarter. All of the parties have now agreed on a new operating agreement for the pooling of all these properties, with the exception of Campbell & Hedrick and those royalty owners that are under their property. And Campbell & Hedrick, as a royalty owner, has not agreed. We have, therefore, resorted to the Commission to force pool their interests. Operating agreements, I think, to me, are immaterial at this point. We already have approval of the non-standard unit for both zones and to attack them at this point would be a collateral attack on the order.

Q (By Mr. Durrett) I was not attacking the non-standard unit as such, I would like to ask a question of Mr. Kellahin, which I think might clear up some of what is being proposed to the Commission. Are you proposing as a legal proposition that operating 80 acres under an operating agreement is not operating lands as a unit?

MR. KELLAHIN: I don't understand your question. I can't answer that. I don't know what you mean.

Q Well, it is an operating unit, would that be correct?

MR. KELLAHIN: Well, let's assume for a moment that Amerada Petroleum Corporation has secured a Federal lease on 80



acres, one lease, secured a Federal lease on another 80 acres in another lease, they are operating or operators of both leases. Certainly they can resort to this Commission for approval of a non-standard unit for those two leases. Now, to create an operating agreement among parties does nothing more than to put it together for working interests and royalty interests for the purpose of operating this particular tract of land. We are not dealing with a unit agreement in the sense of an operating a wide area. What we are talking about is designating an operator to handle this production; this piece of land Amerada is the operator for both pieces.

Q You don't think that in this situation that you could say that they were operating as a unit; is that correct?

MR. KELLAHIN: No, I don't think so.

MR. MORRIS: Could I get in my two cents worth? As long as we are dwelling on legal points at this phase of the procedure, I would like to call the Commission's attention to some of the language in our forced pooling law, which says that when two or more separate owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interest or undivided interest in the oil and gas minerals which are separately owned, or any combination thereof, embraced within such spacing, or proration unit, the owner or owners thereof may pool their interests and develop their lands as a unit. And in connection with Mr. Durrett's question, I believe that is exactly what was done





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in this case, as far as this 80 acre unit is concerned that was formed by the operating agreement between Campbell & Hedrick and Amerada. I believe that that point of law if applicable at this juncture. I think for that reason that the operating agreement is very relevant in this procedure and that regard, and also, in the regard that it bears strongly upon what is just and equitable as far as any Commission order entered in this cause.

GOVERNOR CAMPBELL: Mr. Morris, is it the position of your client that the Commission is not, or does not, under these circumstances, have authority to enter a compulsory pooling order?

MR. MORRIS: The position of our client is somewhat complex, but that would be correct as a starter.

GOVERNOR CAMPBELL: You are taking the position that there is no jurisdiction in this Commission to enter a compulsory pooling order under these circumstances?

MR. MORRIS: Yes, sir. Yes, sir.

GOVERNOR CAMPBELL: You are not simply quarreling over the allocation of costs?

MR. MORRIS: That is correct. I would say in the first instance, we are quarreling with the jurisdiction of this Commission to pool in these circumstances. If the Commission, however, should feel that it does have the authority to pool, we have some recommendations as to terms and conditions, which would make the order just and reasonable.

MR. PORTER: As it stands now, you have a non-standard



unit consisting of 160 acres crossing quarter section line in the Sumont?

MR. MORRIS: That is correct.

MR. PORTER: You have 120 acres crossing quarter section line in the Blinebry?

MR. MORRIS: Right.

MR. PORTER: Now, those two non-standard units have been approved by the Commission as a result of our order?

MR. MORRIS: That is correct. The fact that those non-standard units have been approved, it would be our position that the establishment of those units does not in itself give this Commission the authority to force pool the interest within those units in view of the operating agreement that is still in effect between Campbell & Hedrick and Amerada. We are not doing what Mr. Kellahin insinuates that we are doing, a collateral attack on the non-standard proration unit. At this time, we are just saying the Commission has no power to force pool.

MR. PORTER: In other words, this area that you are talking about requesting the - - the applicant requests it be force-pooled is exactly the area that now is included in this-- these two non-standard units.

MR. MORRIS: I understand that is correct.

MR. KELLAHIN: If the Commission please, the question of jurisdiction has been raised. I think we should point out that that is putting a distorted interpretation on the statutes. The statute



doesn't say that once an agreement has been reached, the Commission has no power or control. We are talking about two separate tracts which lie within the proration unit. That is the tract which the Commission is authorized to pool. And when two or more separate owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interest or undivided interest in the oil and gas minerals which are separately owned, or any combination thereof, embraced within such spacing, or proration unit, certainly that situation is what we have got here. The unit has been approved by the Commission and falls within the area designated as a standard proration unit insofar as the Eumont is concerned, and comprises a non-standard unit, proration unit, insofar as the Blinebry is concerned.

MR. PORTER: I believe that they are both non-standard.

MR. KELLAHIN: But, I say it lies within the standard unit insofar as the Eumont is concerned, crosses quarter section line. Insofar as the Blinebry there, it does not fall within the standard unit, but non-standard.

GOVERNOR CAMPBELL: Mr. Morris, in the event there had been no operating agreement on the 80 acre tract, would it still be your contention the Commission has no jurisdiction to enter a force-pooling order?

MR. MORRIS: In that regard, Mr. Chairman, I am in some doubt as to whether the Commission has jurisdiction to force pool interests within a non-standard proration unit. I do not think it



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is at all clear in the statutes the Commission has that power. I believe that in looking at Section 65-3-14, you have to look at not only the force-pooling section, but also, the preceding paragraph, Paragraph B, which says that the Commission shall establish a proration unit for each pool and they are talking about what the standard proration unit is. And when you get down to the force-pooling section, of the law, they don't go out of their way to say that this shall apply not only to standard proration units, but, also, non-standard units. I believe that it is still strictly with regard to standard proration units. So, in answer to your question, we are saying that the Commission has no jurisdiction to pool a non-standard unit.

MR. PORTER: The witness has had a recess now. Does anyone else have a question?

GOVERNOR CAMPBELL: I have a couple of questions. Now, on your Exhibit Number One, which is the one setting out the existing non-standard Eumont gas unit, you show the Eumont gas well in the North Quarter of the Southeast Quarter of Section 19.

A Yes, sir.

Q You say that that well is or has been completed since when?

A Completion date was- -

Q 1962 sometime, wasn't it, April?

A April 23, 1962, yes.

Q All right. It is not yet hooked into any gas line?



A I think it is connected, however, we are waiting sales. We are unable to sell because of legal difficulties.

Q Because of what?

A Legal difficulties, I think.

Q Now, referring to that same Exhibit One, you show other wells completed in the Eumont zone surrounding this well, do you not?

A Yes, sir.

Q Are those wells producing into the line?

A Yes, sir. They are on a proration schedule. Actually a misnomer in my exhibit, Exhibit One. That is not a proration schedule. I believe all the others are- - all the wells- - all the other wells are assigned allowables of production. This is taken from the proration schedule.

Q As an engineer, do you think that production in the Eumont zone from these wells is resulting in a loss of ultimate potential production from your well, or drainage from it?

A Drainage could exist, and I don't know whether ultimate loss will ensue, or not. Depends upon the future characteristics of the well. However, at the present time, why, obviously, I would think that we were being drained at this time.

Q That is your interest and Campbell & Hedrick's interest and all other working interest and royalty and other owners; is that correct?

A As far as that unit is concerned, or goes, yes, sir.



Q And is this due to the inability to reach agreement on the unit involved here basically?

A Partly.

Q To what extent does the FPC have to do with this one well not being hooked in?

A I think I will have to ask my counsel on that.

MR. LYNCH: I might state that this well in the Eumont gas zone and the Number One Well, Blinbry gas zone in the Number Two Well, the allowable assigned to that well would be a straight acreage basis.

GOVERNOR CAMPBELL: The question is then once the allowable is assigned to the well, as far as the well is, and production, is concerned, how do we distribute the production to the various parties, royalty owners as well as working interest owners?

MR. LYNCH: I am getting to that part. That is our chief problem, how to distribute these royalties.

GOVERNOR CAMPBELL: You have other wells where you hold royalties in suspense until you reach agreement, do you not?

MR. LYNCH: Yes, but now, we have a problem in the working interest. We don't know how to divide a - - the production - -

GOVERNOR CAMPBELL: That is a matter for the Court to determine under contracts, isn't it?

MR. LYNCH: Well, we would prefer that the Commission establish here- -

GOVERNOR CAMPBELL: I can see that.



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MR. LYNCH: - -what their share is. We have been told, our department has been told, that the department will- - has not authorized and will not authorize Amerada to sell on behalf of Campbell & Hedrick from these two zones. Under the Federal Power Commission rules, we are required to submit with our gas contracts in order to get a certificate of public convenience and necessity, we are required to submit with those contracts authorization to sell other worker's interest, owner's gas.

GOVERNOR CAMPBELL: Does this identical situation apply to the Blinebry well and the Blinebry zone?

MR. LYNCH: Yes, sir.

GOVERNOR CAMPBELL: Was that well completed about the same time?

A (By the witness) Completed subsequently, in August, 1962, same year.

MR. PORTER: No gas has been sold from either well?

A That is right. No, none has been sold in any pipe line.

MR. LYNCH: Until we submit to the Federal Power Commission evidence of authority to sell Campbell & Hedrick's share, we can't do it, until we get it certificated.

GOVERNOR CAMPBELL: If you are permitting gas to be drained from this area, would seem to me that would be to your definite benefit, all of you, to see if you can't arrive at some arrangement before the gas is all gone. But, that, of course, again, I guess is your business. No further questions.



MR. PORTER: Anyone else have a question of the witness?

MR. DURRETT: For the purpose of clarification, Mr.

Hocker- -

MR. PORTER: I think that has been the purpose of most of our questions.

MR. DURRETT: - -am I correct now, since the well is completed and the costs have been paid, or at least some costs have been paid, you are proposing a refund, you are not interested and not seeking a risk factor if the Commission approves it?

A No, sir. No risk factor was included in this.

MR. DURRETT: All right. Now, if you gave testimony on the cost of supervision, I realize you won't have any actual cost since you haven't been producing, but do you have any opinion as to what this might run?

A I don't have any.

MR. DURRETT: Don't have any opinion at all. Thank you.

\* \* \* \*

REDIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Hocker, in connection with the question of correlative rights, you are aware that the Commission has set a standard proration unit of 640 acres for the unit, are you not?

A Yes, sir.

Q In your opinion, will a well drain more than 80 acres in the Eumont?





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A Yes, sir.

Q The well located as is the Warlick Number One Well, in your opinion, will all the gas come from the 80 acre tract presently covered by the agreement with Campbell & Hedrick?

A Well, under 100 percent acreage allocated throughout, nobody knows the net drainage.

Q In the event 160 acres were dedicated to that well, would all gas produced come from the 80 acres involved?

A No. It would still be a matter of net drainage.

Q To that extent, Campbell & Hedrick would share in it other than covered by their agreement?

A Yes.

Q Then, if later the production declined, would their correlative rights in any way be impaired as to total production?

A Well, the situation might exist in which other wells in the immediate vicinity might decline at approximately the same rate therefore, the only way which you could obtain an advantage over your surrounding operators would be a drilling on 40 acres or ten acres, which might be uneconomic, but which might give you a larger share in the very last declining days of the field.

Q But, my question is if Campbell & Hedrick have shared in production which came from the South Half of the Northeast Quarter, would their correlative rights in anyway have been impaired by reduction in the productivity of that well, say, at some future date?



A No, couldn't have been impaired because they have no interest in the North Half of that 160.

MR. KELLAHIN: That is all.'

\* \* \* \* \*

RECROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Hocker, along those same lines, if gas was produced through either one of these two wells that has come from other acreage, it is a matter of give and take, it is a matter of production compensated by counter drainage, is it not?

A Compensated drainage could exist, yes.

Q And this would only be true if the acreage were of the same production or productivity?

A Well, let's say owing to the fact if the well can make the allowable assigned to it for the acreage it is supposed to be draining, should be no net uncompensated drainage.

Q If the acreage in the North Half of your proration unit should be shown to be less productive than the acreage in the Southern portion, then, your conclusions would not be quite so valid, would they?

A Well, I think that the unit itself would get its fair share of the gas from the pool so long as it can make the allowable assigned for the acreage for which it is attributed.

MR. MORRIS: That is all. Thank you.



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MR. PORTER: Anyone else have a question of the witness?

Do you offer your exhibits, Mr. Kellahin? I believe you did.

MR. KELLAHIN: I believe I did, if not, I at this time offer them.

MR. PORTER: I think you did on direct examination. The record will show that they have been admitted into the record. This concludes your testimony?

MR. KELLAHIN: That is all we have at the present time, Mr. Porter.

(noon recess)

MR. PORTER: The hearing will come to order, please. Mr. Morris, I believe you indicated that you would have some testimony to present.

MR. MORRIS: If the Commission please, at the outset, I would like to ask the Commission to take administrative notice of the well files of the Warlick "A" Number One and Warlick "A" Number Two wells, and consider them as evidence in this case. I have the Number Two well file here. I would also like the Commission to take administrative notice of the fact that the two non-standard proration units were formed by order- - were formed by order dated after the completion of the wells to which they purport to be dedicated.

MR. PORTER: The Commission will take administrative notice of the well file and the orders.

GOVERNOR CAMPBELL: Do the well files and the orders reflect this?



MR. MORRIS: Yes, sir.

GOVERNOR CAMPBELL: We won't need to take notice of it if it is in evidence.

MR. KELLAHIN: I think our witness so testified and so stipulated.

GOVERNOR CAMPBELL: I see.

O. F. HEDRICK,

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

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Hedrick, please state your name and where you live?

A I am O. F. Hedrick, and I live in Midland, Texas.

Q With whom are you associated in the business capacity, Mr. Hedrick?

A With Campbell & Hedrick, a Partnership.

Q And who are the partners in this partnership?

A Joe H. Campbell and myself.

Q What is the business purpose of your partnership?

A We are engaged in exploration and development of oil and gas leases.

Q How long have you been so engaged?

A We have been engaged in this partnership, or in prior



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partnerships, for about 13 years.

Q What has been your experience as an independent oil man in the oil and gas business in West Texas and New Mexico?

A We have had oil and gas wells in Southeast Lea County, New Mexico, and West Texas, during this entire period.

Q Referring to the 13 years period?

A Right.

Q And have you previously testified before this commission?

A Yes, I testified on one occasion some six or eight years ago.

Q Would you state what your interest is, or what the partnership's interest is in Section 19 of 21 South- - Township 21 South, Range 37 East?

A Our interest is five acres, or 1/16th, under the North Half of the Southeast Quarter of Section 19.

Q That is your working interest?

A That is our working interest.

MR. PORTER: What was that percentage again?

A 1/16th.

MR. PORTER: 1/16th.

A Working interest. That is correct. In addition, we have a mineral interest under the 160 acres, the 160 acre tract, composed of this 80 and the 80 immediately north of it. This royalty interest is 1/64th. And then, we have a third interest under the Northeast Quarter of the Southeast Quarter to the extent



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of additional one thirty-second royalty interest.

Q Is this interest a working interest and royalty interest accurately reflected in the exhibit offered by Amerada?

A Yes. They are correctly reflected.

Q Do you own any working interest at all in the South Half of the Northeast Quarter of Section 19?

A No. We do not.

Q Now, going back, Mr. Hedrick, to the time of your first negotiations with Amerada in this area, of your interest in Section 19, what were your preliminary negotiations, what was the nature of them, and - - at that time?

A Amerada first came to us and proposed they lease our mineral interest for \$100.00 per acre cash consideration, and it is my recollection that they would permit us to retain a 1/16th royalty, realizing, of course, that the regular or normal 1/8th royalty had previously been carved out from this mineral interest.

Q What action did you take on that offer?

A Inasmuch as this acreage was offset by production from four zones on more than one- - or on both of the forties, we rejected their offer as being unreasonable, insufficient consideration.

Q Did you have further negotiations following that rejection?

A Yes. Sometime after that, we received from Amerada an operating agreement that proposed to cover the 80 acres under which we had an interest, and anticipated the drilling of a well.



Q Now, the acreage you are referring to, is that the North Half of the Southeast Quarter?

A That is correct.

Q What action did you take with respect to that operating agreement?

A When we received this operating agreement and examined it, we pointed out in a letter to Amerada that in all probability gas would be encountered in one or more zones, and that this agreement that they had submitted to us for our signature did not include any provisions for putting additional acreage with this 80 acres, nor did it include any provisions for apportioning the total cost of the well to any gas zone.

Q Now, as to the operating agreement, did you actually enter into an operating agreement with Amerada?

A Later on we did, after raising these objections and receiving certain letters and other information to further explain the position that Amerada was taking in these matters in the questions that we were raising.

Q I hand you what has been marked as Campbell & Hedrick's Exhibit Number One, and ask you to examine that document and state to the Commission what it is?

A This is the operating agreement dated July 22, 1961, which Campbell & Hedrick signed several months later after we had engaged in various talks with Amerada concerning these problems that we had raised with respect to this agreement.



Q And what acreage does that agreement cover?

A This agreement covers the north half of the southeast quarter of Section 19, 21 South, Range 37 East.

Q The agreement that you signed, you, meaning Campbell & Hedrick?

A That is correct.

Q And that Amerada signed and that together with other working interest owners?

A That is correct.

Q Now, Mr. Hedrick, you have referred to some correspondence that you had with Amerada prior to your actually signing the operating agreement. I hand you to you Campbell & Hedrick's Exhibit Number Two, as marked, and because of the importance of this letter, I would ask you to read that to the Commission, to read that in full, if you would, please?

A To "Amerada Petroleum Corporation, Box 591, Midland, Texas."

Q Is that dated- - What is the date of that letter?

A August 4, 1961. "Attention Mr. John Cornwall. Dear Mr. Cornwall: Captioned operating agreement covers only N/2 of SE/4 under which Campbell & Hedrick have a one sixteenth interest and it proposes a test well which will be quadruple completed. The Eumont zone will produce gas and it is possible that the Blinbry production will also be gas. Inasmuch as a standard proration unit for gas wells in these fields exceed the eighty acres included





in this operating agreement, it is possible, you may plan to dedicate additional acreage to this well. Please advise us if this is your intention. Further if additional gas acreage is dedicated to the proposed well, in that event our interest in the zone or zones would be reduced. Please advise us the manner in which the various costs of drilling and completing the proposed test would be prorated among the various zones. We would also appreciate your sending us a copy of AFE covering the proposed test. Very truly yours, O. F. Hedrick."

Q Now, did you receive a response to that letter?

A Yes. We received a reply to that letter.

Q I hand you Campbell & Hedrick's Exhibits Three and Four, and ask you if that is the reply that you received, and if so, to summarize the contents?

A Yes. This is the reply that we received to this correspondence. One is a cover letter pointing out that they are trying to clarify some of the points that we have raised; that they are attaching a copy of the AFE which we requested, and with regard to summarizing the letter, which was attached, it is a letter dated August 11, 1961, from Mr. Joe B. Denton in the Land Department, to Mr. John Cornwall. In summarizing this letter, Amerada points out that the Eumont gas zone might possibly produce the allowable for the Warlick 160 acre tract. However, they expect to get oil in the Blinebry. The second question raised was with regard to how the costs of the zone should be split up in the event a gas



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unit was created. I would like to read what their reply is to that portion of it. "As an example, if the Eumont gas zone is found at 5,000 feet, and the total depth of the well is 6,700 feet,  $\frac{1}{4}$  of the intangible drilling cost will be allocated to the Eumont zone. Any tangible equipment used solely for the Eumont zone would be charged directly to that zone. Again, the same will hold true for the Blinebry." It was after we had discussed with them the provisions of this letter, and had examined the operating agreement, taken collectively, we considered them as an amendment to the operating agreement.

MR. KELLAHIN: If the Commission please, I object to the voluntary statement of the witness, what he considers that to be. That is a legal conclusion and we submit that since it was not incorporated in the unit agreement, it is no part of it. For him to volunteer, we move that the answer be stricken.

MR. PORTER: Mr. Morris.

MR. MORRIS: I can ask the witness a question that might clarify the situation, clear the air in the thing, if the Commission please.

MR. PORTER: Well, the Commission - -

MR. MORRIS: In any event, he is competent to testify what his understanding of it was, whether that is the legal effect of it, or not, is another point.

MR. PORTER: The Commission rules that the objection will be sustained, and that the statement should be stricken. For



the benefit of the reporter, Mr. Kellahin, would you state exactly the portion you are objecting to so it can be stricken.

MR. KELLAHIN: I don't recall the exact language of the statement, but to the effect that we consider this a part of the written operating agreement.

Q (By Mr. Morris) Mr. Hedrick, did you rely upon the statements made in the letter just referred to in deciding whether you were going to actually enter into the operating agreement?

MR. KELLAHIN: If the Commission please, again we object in that the written operating agreement was the consummation of all the negotiations, and is the written contract between the parties. What he relied on in that regard would be immaterial at this point.

MR. MORRIS: May the Commission please, I think that this letter probably covers matters not even contemplated in the operating agreement. The operating agreement doesn't take into account what is going to happen if the acreage should be dedicated to a gas well, and that is exactly what Mr. Hedrick was trying to find out by his inquiries. It is the fact that the operating agreement didn't cover that make it relevant and competent for him to testify.

GOVERNOR CAMPBELL: Don't you think the sequence of the letter and the contract and all being a part of the record would cover this without him expressing his views as to what caused him to enter into the agreement. I think it is probably true that under



what I recall to be one of the rules of plural evidence, once the agreement is entered into, everything is incorporated. This letter, I presume, is going to be a part of the record in the sequence of them which the Commission can consider in any event.

MR. MORRIS: Yes, Mr. Chairman, we intend to offer all of these letters and the agreement into evidence. That is correct.

GOVERNOR CAMPBELL: On that basis, I don't see -  
I mean, it seems to me proper to sustain the objection as to stating when - The sequence of facts are here.

MR. PORTER: Objection sustained.

MR. MORRIS: All right. Now, Mr. Hedrick, you stated that you were finally furnished an AFE on this Well Number One. I would ask the reporter to mark this document Campbell & Hedrick's Exhibit Number Five. I hand you what has just been marked as Exhibit Number Five, and ask you if that is the AFE that you were referring to?

A Yes. This is the AFE to which I referred.

Q What was the anticipated cost of the Well Number One as shown on that AFE, Mr. Hedrick?

A Total cost of equipping the well in the event of production was \$102,100.00.

Q What did it turn out to be as the total cost of this well?

A Total cost of the well -

Q Approximately?



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A --turned out to be approximately twice that figure.  
In the neighborhood of \$210,000.00.

Q Going back to our operating agreement, Mr. Hedrick, our Exhibit Number One, does that agreement in any way provide for acreage in addition to the 80 acres covered by the agreement to be dedicated to a gas well?

A No, it does not.

Q Was there any understanding or agreement reached in addition to this agreement, this operating agreement, concerning the method in which additional acreage would be allocated to gas- - to a gas well, or gas zone?

A The only thing, other than the operating agreement, was the letter about which we talked a few minutes ago.

Q So, at the time you actually signed and entered into that operating agreement, this original operating agreement, was there any understanding with Amerada as to how acreage, other than the 80 acres, would be dedicated to gas wells?

A There was none.

Q As of this date, as of right now, is there any agreement with Amerada as to how additional acreage will be attributed or allocated to gas wells?

A Amerada has prepared other agreements, which were objectionable to us for various reasons.

Q Would you, at this point, summarize the reasons why these other agreements were objectionable to you?



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A There were several reasons why they were objectionable. One was the manner in which costs attributable to the Eumont completion had been determined. Another was the fact that the agreement did not provide Campbell & Hedrick for any remuneration for the risks that they involved as a result of letting Amerada have an opportunity to wait and see whether there- - whether their well was- - would be productive. And then, a certain operating expense I have were increased, also.

Q Was any provision made in any of these operating agreements concerning your protection if the well should fall below top allowable?

A There was none.

Q Was this, or was it not, one of the bases for your objecting?

A That was a further objection.

Q Now, as to both wells, Numbers One and Two, has Campbell and Hedrick paid their full share of the cost of these wells?

A We have paid our full share of the cost of these wells as provided in the operating agreement under which we are now operating.

Q That is the 80 acre operating agreement?

A That is correct.

Q When did you first realize that the well Number Two would be drilled?

A I don't recall the exact date. It was several months



after the completion of the first well. We received an AFE for the second well.

Q Ask that this be marked Campbell & Hedrick's Exhibit Number Six. I hand you what has been just marked as Exhibit Number Six. Would you please state what that is?

A This is Amerada's AFE covering the second well, on the 80 acres.

Q What are the zones listed in that AFE?

A Drinkard, Paddock, Blinebry and Grayburg.

Q Referring back to the other AFE on Well Number One, would you state what the zones were as listed on that AFE?

A For the first well, the zones were Drinkard, Blinebry, Paddock and Eumont.

Q Now, with respect to that well Number One, the AFE on Well Number One, you stated that the Eumont is listed as one of the zones. Is that the Eumont gas or Eumont oil?

A That is the Eumont oil, or it was our understanding, inasmuch as the 80 acre unit was surrounded by gas wells in the Eumont gas field.

Q As to Well Number Two?

A Yes.

Q As to Well Number Two, the Blinebry zone, you stated, was one of the zones listed. What was your understanding as to whether that was to be gas or oil?

A The Blinebry reservoir is rather complicated. There are



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both gas and oil wells in the vicinity. It is possible, or we considered it quite possible at the time, that gas would be obtained there, also.

Q In fact, gas was obtained, was it not?

A That is correct.

Q Do you substantially agree that the potential of that Blinebry well was as testified to this morning by Mr. Hocker, if you heard his testimony?

A I have heard the testimony. And we agree that that is the potential of the well.

Q How would this well compare with other Blinebry wells in the area?

A I have prepared a table here of test data on various wells in this Section 19, 21 South, 37 East.

Q Excuse me a moment. Ask that that be marked as Campbell and Hedrick's Exhibit Number Seven. Referring to that exhibit, Mr. Hedrick, what does it show?

A I would like to read the test data on wells surrounding this 80 acre unit. To the south, J. W. Peery, Hardy Number Two, in a scheduled gas-oil ratio test of May, 1963, showed a production of 56 barrels of oil per day, with a 11,830 gas-oil ratio, which was effective. That is, the well was penalized because of the high gas-oil ratio. J. E. Peery, Hardy Number Five, regular scheduled gas-oil ratio test, May 1963, tested 60 barrels of oil per day, with the gas-oil ratio of 8,481. It was also an effective ratio.





Amerada Warlick "A" One, same scheduled test period in May 1963, tested 25 barrels of oil per day with a 18,361 GOR. It, too, had an effective GOR and was penalized.

Q The Amerada "A" 1?

A Yes. Amerada "A" Two, test date, October of '62, I believe the date was as previously been read into the record, then, going across the 80 acres, which Amerada proposes to include in a Blinbry unit, we come to the Penrose Production Company Warlick Number One well. This a gas well. It averages 100-150 million cubic feet per day. It has a low pressure connection and has been a marginal gas well for quite a number of years. To the west of the 80 acres, which Amerada proposes to include in this unit, is Amerada State DC Number One, and scheduled test in May, 1963, this well produced 10 barrels of oil per day with a gas-oil ratio of 14,400 cubic feet per barrel. It has a noneffective ratio. That is, it is not penalized. To the west of the Amerada Warlick "A" Two, Pan American has a State lease, and their CK well Number Two tested in May, '63, 11 barrels of oil per day with a GOR of 7,364. It, too, has a noneffective GOR. My purpose in wanting to introduce this test data is to point out that in this particular area as one goes north and perhaps slightly west, there is a decrease in the ability of the wells to produce as evidenced by the test data submitted to the Commission by the operators of the various wells in the area. Campbell & Hedrick believe - well, we know that if a larger unit is formed, that it will work to the detriment of our



correlative rights, unless provision is made adequately to compensate for us in this hearing.

Q Mr. Hedrick, when did you first learn that Amerada intended to add an 80 acre- - this additional 80 acres in the dedication of each of these wells?

A After the first well was completed, Amerada proposed and/or prepared a series of additional operating agreements, which in effect would partially compensate us for the Eumont completion. However, the agreements included gas rights under the 160 acres. For the reasons which we have explained previously, Campbell & Hedrick did not sign the other operating agreements.

Q One of these reasons you stated previously was that you weren't being adequately compensated for risk. Would you explain what you mean by that, please?

A We had an interest in a well. This operating - - operation was covered by an operating agreement. This operating agreement had been developed by all the parties concerned, and the operating agreement provided that a party that did not consent to the drilling of a well, would have his interest withheld by the operator until such time as costs of drilling the well were recovered 200 percent. In other words, in addition to recovering the cost of drilling the well, the operating agreement provided that the operator be permitted to recover an additional 100 percent as a risk factor, or wait and see, or whatever you want to call it.

Q You are putting Amerada in that same position, as wait and



see?

A That is correct, because they had additional acreage adjacent to the acreage covered by the operating agreement and they were in a position to benefit by including the additional acreage <sup>obtained</sup> in the unit in the event good gas wells were ~~obtained~~. That was the procedure which they adopted to follow rather than trying to work something out before the wells were drilled as we tried to get them to do.

Q From your experience in the oil business, would you say that the 200 percent risk factor is fairly standard, or not?

A I think the <sup>fact</sup> ~~factor~~ that it was arrived at by all the parties considered and included in the operating agreement indicates that it is realistic for that particular area. Further, I would like to point out, I believe it has been previously pointed out, that the first well other completions were attempted and that they were unsuccessful. There is no doubt but what Campbell & Hedrick carried risks for them, for Amerada.

Q Now, if the Commission should see fit to pool these units as they have applied, if the Commission should see fit to pool the unit as requested by Amerada, how will the extent of your interest be effected in the Eumont and in the Blinebry?

A I think it has been previously pointed out that our interest under the Eumont would be reduced to a 1/32 from the 1/64th that it now is.

Q 1/64th?



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A 1/32nd. Excuse me. We have a 16th.

Q You have a 1/16th now?

A In 160 acre unit. That would be to a 32nd to - -  
from a 16th. In the Blinbry, if a 120 acre unit were formed, our  
interest would be reduced from a 1/6th to a- -

Q 1/6th?

A 1/16th, thank you, from a 1/16th to a 1/3rd of 1/16th,  
or 1/48th.

C Now, as long as the wells would remain top allowable, what  
effect would that have upon the money that you would receive from  
the wells?

A The income which Campbell & Hedrick would receive would  
remain the same as long as the well continued to produce top  
allowable.

Q What would happen when the wells fell below top allowable?

A At such time as the well or wells ceased to produce  
top allowables, then, Campbell & Hedrick would no longer receive  
the gas that- - and oil that they would have received if a lesser  
unit had been formed.

Q In your opinion, how does this effect your correlative  
rights?

A To form a unit would deprive us of our correlative rights.

Q Now, Mr. Hedrick, this commission is authorized by the  
statute, by the force-pooling statute, to enter an order on such  
terms and conditions as are just and reasonable to protect the



parties. Would you have any recommendations to make to the Commission as to how your rights might be protected and what terms and conditions could the Commission consider putting in the order that would protect your interest?

A I think that the interest of Campbell & Hedrick could be protected if the following conditions were provided in the order: I think these conditions are only just and equitable. First, that the cost of apportioning- - that the method of apportioning cost to the zones, the method as set forth in this letter of August 11, be used in apportioning the cost. With that in mind, Campbell & Hedrick determine that the remuneration to which they would be entitled would be \$3,301.33. Second, we think the order should provide some amount for risk in our carrying Amerada up to this stage of the completion of the well. We think that the 200 percent or 100 percent risk as provided in the operating agreement is just and reasonable for the privilege that Amerada exercised in waiting to see how the well turned out. And third, we think that there should be some provision to protect Campbell & Hedrick when the well falls below top allowable. We suggest that Amerada be required to pay Campbell & Hedrick on the basis of top allowable production from our acreage.

Q With respect to that last item, Mr. Hedrick, you would in effect ask that the Commission require Amerada to recognize and pay as though the 80 acre operating agreement were effective as between you?



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A That is correct.

MR. MORRIS: If the Commission please, at this time, we would offer into evidence our Exhibits One through Seven as testified to by Mr. Hedrick.

MR. KELLAHIN: We object to the admission of Exhibits Two, Three and Four, in that they are immaterial. Merely reflecting the preliminary negotiations which resulted in the consummation of the agreement which has been marked as Campbell & Hedrick's Exhibit Number One. Would, therefore, be wholly immaterial to anything before this commission at this time. Actually, we feel that the operating agreement itself is immaterial, but this being something along the nature of equitable proceedings, we have no objection to the Commission having all the facts available before it, which are pertinent to the determining of just what the equities involved here are. We do object to the introduction of any correspondence which lead up to the consummation of the agreement.

MR. PORTER: What were those exhibits, Exhibits Two, Three, Four?

MR. MORRIS: If the Commission, please, Exhibit Two was a letter to- - from Mr. Hedrick to Amerada, and Exhibits Three and Four were the replies to that letter. We would suggest that they are not at all immaterial inasmuch as they cover matters not included within the operating agreement. And constitute the only written evidence between these parties up to- - as before the Commission concerning any understanding or any efforts to reach an



understanding concerning how acreage would be attributed to gas wells and how costs would be apportioned.

MR. PORTER: The Commission will overrule the objection and admit the exhibits to the record.

(Whereupon, Campbell & Hedrick's Exhibits One through Seven were offered and admitted into evidence, by the Commission.)

MR. PORTER: Does that conclude your questions?

MR. MORRIS: That concludes direct examination.

MR. PORTER: Any questions, Mr. Kellahin?

\* \* \* \* \*

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Hedrick, in connection with Exhibits Two, Three and Four, were they in any way incorporated in the unit agreement?

A The operating agreement was dated July 22, 1961. We raised our objections to the operating agreement on August 4th, approximately two weeks later.

Q Are you stating then that you had signed the operating agreement in July?

A I stated previously that we did not sign the operating agreement until after we had received the replies to our letter, which is Exhibit Two.

Q Then, you did raise them before - - raise these questions



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before you executed the operating agreement?

A That is correct.

Q But, you did not see fit to have them included in the operating agreement?

A We discussed with Amerada operating agreements and proposals at various times. We were advised that letters are used to amend operating agreements. I do not recall whether this was at this particular time, or later on.

Q Was anybody other than Amerada and Campbell & Hedrick a party to this correspondence?

A No to my knowledge.

Q But, others would have been affected by it, would they not?

A Inasmuch as the other interests are common over the 160 acre unit, or the 120 acre unit for the Blinbry, the differences, as I understand them, are solely between Amerada and Campbell & Hedrick.

Q That wouldn't be true as to the royalty interests, though, would it?

A No. Royalty is not common.

Q You gave, in connection with the Warlick Well Number One, the AFE on the estimated cost. Would you give us that from the AFE on the Well Number Two, please?

A The AFE for Well Number Two, total cost of the well in the event of production, \$149,004.00.





Q Do you know what the actual cost was?

A Cost of well Number Two is in the neighborhood of \$155,000.00.

Q To be exact, it was \$137,000.00, was it not, or do you have an accurate figure?

A I have the data that we have taken from the invoices that Amerada has given to Campbell & Hedrick, and these invoices are the ones upon which we have paid our accounts to Amerada.

MR. GOVERNOR CAMPBELL: What is the figure?

MR. KELLAHIN: Would that include lease equipment?

A Perhaps it does, because at a later date, Amerada proposed further to handle the tank battery in a separate manner apart from the wells.

Q All right.

MR. PORTER: I believe the Chairman asked the witness what the figure was.

A As of October, 1961, I presume, or '62- - '63, I presume, the- - '62, \$158,012.73.

MR. PORTER: The AFE was hundred forty-nine thousand?

A Yes, sir.

MR. PORTER: Thank you.

Q (By Mr. Kellahin) Mr. Hedrick, in your tabulations of wells offsetting this acreage, now, with reference to the Blinebry wells, all of the offsetting wells completed in the Blinebry are oil wells with the exception of the Penrose Warlick Number One; is



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that correct?

A And the Amerada Warlick "A" Two.

Q Well, that is on the unit?

A Right.

Q Those are the only two gas wells in the area in the immediate vicinity?

A In the section.

Q And the Warlick Number Two is completed between two oil wells, which are on 40 acre offsets; is that right?

A That is correct. But, both wells have high gas-oil ratios.

Q But, that does indicate that the occurrence of gas is somewhat erratic in this area, does it not?

A Yes.

Q Now, in regard to the risk factor involved here, Mr. Hedrick, are you familiar with the New Mexico statute concerning the risk factor on force-pooling applications?

A No, sir, I am not.

Q What wells were in existence at the time the Eumont well was drilled?

A I don't have all that information with me. I can speak from my best recollection. Are you speaking of Eumont wells, or Blinebry wells?

Q I am speaking of Eumont wells at the moment.

A To my knowledge, the Eumont wells as shown on the exhibit that Amerada submitted were all completed at that time.



Q And that would certainly be very strong indications that there was very little risk in finding Eumont gas with that record. The area is completely surrounded by Eumont production, is it not?

A Yes, it is surrounded.

Q Now, with reference to the Blinebry wells, isn't the same situation true, that there was production from the Blinebry completely surrounding the area?

A The wells to the west are the- - the well to the west, of course, is a light well. It produced only 11 barrels a day. I think it has been stated that the Blinebry reservoir is difficult to predict. I think that the fact that 11 barrel well was obtained in one offset to this Warlick "A" Two indicates that the risk was appreciable. There were no wells in at the time completely offsetting this Warlick "A" Two to the north, nor to the northwest. Amerada drilled their State DC Number One several months after the Warlick "A" Two was completed.

Q Now, with reference to the correlative rights of Campbell & Hedrick, in your opinion, will a well drilled and completed in the Eumont drain more than 80 acres?

A I think that it will.

Q And in your opinion, will a well drilled in the Blinebry and completed drain and develop more than 40 acres?

A I think that it will.

Q Completed in the gas zone, I am referring to?

A Completed in the gas, it will drain and deplete the gas.



in all probability, oil will not travel as far as the gas will, and any oil present with the Blinebry gas would be lost on cut away from the well at some point. Whether that is true for the 160 acre unit, I could not say.

Q Then, actually, regardless of the allowable assigned to these wells, the gas is going to come from offsetting acreage in part, is it not?

A If it is there, it will come in part from the offsetting acreage.

Q But, you say that that is going to impair Campbell & Hedrick's correlative rights?

A We say that it will impair our rights when the well ceases to make top allowable.

Q Does a barrier automatically go up around the 80 acres at that point which prevents further migration of gas?

A No. It is the percentage that works against Campbell & Hedrick.

Q Those percentages would work against Campbell & Hedrick regardless of the size of the unit, at some stage of the development of the reservoir, would they not? You have the 80 acres and at some time the well no longer makes the 80 acre allowable, then, Campbell & Hedrick's interest will then be reduced?

A Any given well will make more gas per acre if the - -  
Let me back up and word that differently. Campbell & Hedrick would receive more production from their 80 acres if an 80 acre unit were



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established.

Q By the same token, I assume that you would say that Campbell & Hedrick would receive more gas allowable for their per acre for 40 acres for the Blinebry?

A That is correct. Because, our interest would not be decreased, or diluted with other acreage.

Q But, you advocate drilling Blinebry gas wells at 40 acres?

A A number of operators have done it.

Q Have you?

A Or, if not drilled them, have dueled or multiple completed them for 40 acres.

Q For gas?

A I don't know of any gas offhand, no, sir.

Q Now, Mr. Hedrick, your Exhibit Number Three with respect to the allocation of costs in the event of additional acreage being included attributed to a gas well, that refers to the allocation of intangible drilling costs on the basis of one-fourth; isn't that correct?

A Exhibit Three is the cover letter. The letter- -

Q Well, Exhibit Four, then, the memorandum which accompanied it?

A That is correct.

Q And how are the other costs to be allocated?

A The letter states that any tangible equipment used solely for the Eumont zone would be charged directly to that zone.



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Q Now, have you examined Amerada's Exhibit Number Four and Eight, in which drilling costs were allocated?

A Yes, I have looked at those exhibits.

Q In what manner did Amerada allocate intangible drilling costs?

A Amerada did not include all of the intangible drilling costs that were incurred in drilling well.

Q First, let's see, how did Amerada allocate the costs which they did include? To save time, won't you agree, Mr. Hedrick, all the intangible costs which are on the sheets which are submitted as Exhibits Four and Eight, were allocated on the basis of one fourth?

A Would you state that again? All of what costs?

Q Intangible costs which appear on the two exhibits. I understand that you don't agree that they are all on there.

A Without checking the arithmetic, I would say that the ones that are on here were charged one-fourth.

Q Now, all of the tangible drilling costs are on the exhibit, are they not? Do you have any quarrel with our list on those?

A Without going through very voluminous invoices involved, I couldn't say whether all the tangible equipment was included here, or not.

Q You have no different figure to offer the Commission at this time, do you?



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A The figure which we requested previously that we thought would be just and equitable to all parties.

Q Does that include costs, tangible drilling costs, which are not on these two exhibits?

A It includes costs that Amerada billed Campbell & Hedrick for in connection with drilling and completing the wells. I couldn't say whether it included anything that is not on here until I have compared them.

Q Well, Mr. Hedrick, the bills you have include lease facilities, storage facilities and other items, are not directly attributable to the well, do they not?

A Yes, they include an amount of \$375.00 which is a portion that we were asking Amerada to reimburse us for in connection with the oil produced from the Blinebry.

Q Oil produced from the Blinebry?

A Associate liquid hydrocarbon produced with Blinebry gas.

Q Why does Campbell & Hedrick feel that the cost of drilling deeper than the Eumont should be included as a part of the cost in completing in the Eumont in the Warlick Well Number One?

A It was our understanding before we signed the operating agreement that that was the manner in which expenses would be determined.

Q What expenses were you talking about, intangible or tangible?

A Intangibles.



Q And on the same basis, is that your reason for attributing a blowout which occurred at some 4,000 feet, or below the Eumont, to the cost of Warlick "A" Number One well?

A The well that- - when the blowout occurred, it was drilling in a loss circulation zone.

Q Below the Eumont?

A Below the Eumont. It is my understanding, also, that the drilling contractor was making a trip to replace the bit. In all probability, the combination of loss circulation plus lowering of the fluid level when the drill pipe was removed from the hole, lowered the fluid level sufficiently, so the Eumont was the zone that blew out.

Q And you would attribute that cost to the Eumont?

A I surely would. However, in our calculations, we considered it an intangible cost and are asking Amerada only for one-fourth of that amount.

Q You considered that a fair portion to include costs which had nothing to do with the completion in the Eumont zone?

A Yes, I do. Well- -

Q Mr. Hedrick, let's just take an example, if you had a well which was completed in one zone at 1,000 feet, and another zone at 10,000 feet, would you attribute half the intangibles to the first zone?

A If that was the agreement that the parties had arrived at before starting the well. I think that would be just and equitable.





Q But, that agreement was not embodied in your operating agreement?

A No, it was not.

Q All right.

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

\* \* \* \* \*

REDIRECT EXAMINATION

BY MR. MORRIS:

Q I have another question or two, if it Please the Commission. Mr. Hedrick, was the definition of what was to be included as intangibles or tangibles shown on the AFE?

A The AFE is broken or it breaks down expenses into two categories, intangibles and tangibles. We use the example that Amerada had included on their AFE as a basis for determining which were tangibles and - - drilling costs and- - or tangible equipment costs, and which were intangible drilling costs.

Q Now, in determining intangible drilling costs and referring to that AFE, how would you attribute the cost attributable to a blow out and loss of mud and so forth?

A Loss of mud, drilling contractor's time, things such as that, are intangible and come under the intangible heading on this AFE.

Q Is the mud consider an intangible on the AFE?

A Yes, it is considered an intangible.

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Q So, in making any allocations of costs, you wouldn't attribute - - you are not to attribute any intangibles to just the Eumont alone?

A That is correct.

Q What is your position as to how intangibles are to be attributable?

A Intangibles for the entire hole will be - - were to be attributed one-fourth to each zone.

MR. MORRIS: I believe that is all. Thank you.

\* \* \* \* \*

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

MR. DURRETT: Mr. Hedrick, just very briefly, this will just require a yes or no answer, did your partnership, or representative in the form of an attorney appear before the Commission at the time Orders Numbers R-2228 and R-2523 were formed?

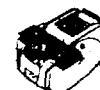
A The orders established the non-standard proration?

Q Those are the two orders that established the non-standard unit.

A No, we did not appear for that, nor did we have anybody to represent us.

Q I wonder if there would be any specific reason why you did not appear? Did you have a reason at the time?

A At the time we were in hopes we would be able to negotiate with Amerada and iron out all of our differences.



MR. DURRETT: Thank you.

\* \* \* \* \*

EXAMINATION

BY MR. NUTTER:

Q You mentioned that you figured that you had a total rebate of something in the neighborhood of \$3,000.00; is that correct?

A That is correct.

Q Now, does that mean for both of the wells?

A That is for both of the wells.

Q Then, according to Amerada's calculations, they have \$2,118.00 coming to you?

A I believe that was the figure that they gave us.

Q Oh, you don't have an itemized list or schedule of this \$3,000.00 that you believe you have coming, though, do you?

A I can give a breakdown as to what are tangibles and what are intangibles, but it would involve submitting all of the bills that we received in connection with this well, together - - to go into a line by line accounting such as Amerada submitted.

Q Well, now, how about the - - on the Warlick "A" Number Two, where they have - - go down and attributed 25 percent to the Blinbry all the way down. Was that in accordance with your first agreement with them, that 25 percent would be charged to each zone, or was that on the intangibles only?

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A 25 percent of the intangible drilling costs were to be allocated to the Blinebry zone in event that the Blinebry gas production was obtained.

Q Well, now, do you agree with this procedure to allocate 25 percent at this point, after the cellar location and road and surface and inter- - cementing and welding of the intermediate strings?

A Yes, that is - - those items are among those classified in the AFE as the intangible drilling costs.

Q Now, how about the casing to each of the zones, would each of those stand on its own, or would it be 25 percent of the total casing in the well; casing isn't considered an intangible, is it?

A No. Casing is a tangible. If one string is used for the Blinebry completion. I would think one-fourth of the four strings, or one entire string should be charged to the Blinebry completion.

Q Well, now, here on the Warlick "A" Two, Amerada's Exhibit, charges \$5,672.00 for 6700 feet of 2 7/8ths to the Blinebry.

A What were those figures once again?

Q Well, it is their Exhibit Number Eight, and it is 5600 for 6735 feet of casing to the Blinebry. That is a tangible to the Blinebry and should be charged to the Blinebry?

A Is that figure just to the Blinebry, or does it include the full length of the string of pipe?



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Q Evidently, it is deeper than the Blinebry perforation, but, what they probably did was set deep cement from the bottom of the hole.

A That is one string. Well, yes, we would agree that one fourth, or the total cost of that one string, should be charged to the Blinebry.

Q Well, of the tangibles on their exhibit, do you disagree with anything?

A Do you have a copy of that exhibit? Excuse me.

Q I might ask you first, of the \$3,000.00 that you figured for both of the wells, how much do you think you have coming on the Warlick "A" Number Two? That might be simpler.

A For the Warlick "A" Two, \$1,458.00.

Q Now, is that based on the same percentage that they were talking about, the 4.1667 percent?

A That is correct.

Q All right.

MR. MORRIS: Mr. Nutter, with your permission, would it be helpful if Mr. Hedrick gave a breakdown as to each well as to what his figure is for intangibles and tangibles attributable to all zones and tangibles attributable to the zone in question?

MR. NUTTER: That might help. I think we are only \$169.00 apart on this first well. That is probably in the tangibles. That wouldn't be hard to lose \$169.00.

MR. MORRIS: On the second one?



MR. NUTTER: Yes, "A" Number Two. What is your intangible figure?

A \$85,814.17. That is a total cost of the well for the intangible portion.

MR. KELLAHIN: Is that the Number One or Number Two?

MR. NUTTER: We are on the Warlick "A" Two. What do you have for tangible items then?

A We have our tangible items broken down into two categories. One, that the tangibles which are common and used by all the zones such as the surface casing, and things such as that. That total is \$21,679.92.

Q Now, are those divided equally four ways among the- -

A That is correct.

Q And then, the other tangibles?

A The tangibles for the Eumont completion- - Blinebry. Excuse me. \$8,128.78.

Q And are those chargeable to the Blinebry only?

A Chargeable to the Blinebry only.

Q All right. Now, referring to Exhibit Number Four of Amerada, the cost analysis of the "A" Number One, how much tangible cost do you figure there is there?

A You asked for tangibles first?

Q Tangibles, yes, sir, please, sir.

A Tangibles common to all zones, \$6,867.98.

Q Okay. Tangibles to the Eumont?



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A \$6,507.41.

Q Intangibles, please?

A \$155,025.50.

Q And what was your- - would your total costs then be; do you have that?

A No, sir. I have the total cost to Campbell & Hedrick for their 1/16th interest.

Q What is the total then to Campbell & Hedrick?

A \$2,936.29, for the well Number One.

Q Now, the principal difference is probably in the intangibles. Would you estimate that this probably is in the difference in which the cost of mud for controlling the blow out is allocated by your system and Amerada's system?

A I wouldn't say it was principally the mud associated with the blow out. There was considerable hauling of brine and fresh water and oil used while drilling this well, and I think their estimate for that particular item is very very low.

Q The \$2,160.00?

A Right. I believe while ago, in answer to the question by Mr. Kellahin, though, I stated that it was our understanding that the mud to control the hole, the blow out, was intangible item, and that it should be charged off 25 percent to each of the zones. That is correct.

Q And using Amerada's figures for water and hauling and mud and chemicals, you would have a total there of \$27,000.00, which



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25 percent of that would be somewhere in the neighborhood of \$6,500.00 maybe, and they have estimated three thousand to the Eumont zone for mud and chemicals. So, this would probably be the area of disagreement as to the total costs for the Eumont, wouldn't you imagine?

A Probably the major item, yes, sir.

MR. NUTTER: Thank you very much.

\* \* \* \* \*

GOVERNOR CAMPBELL: May I see the attorneys here a minute?

(Discussion held off the record)

MR. PORTER: The proceedings in Case 2897 and 2898 will be recessed until four o'clock.

(Recess)

MR. PORTER: The hearing will come to order, please. Mr. Morris, I don't believe we had dismissed your witness. I don't know if anybody else- -

MR. MORRIS: Request that he be dismissed. I have no further questions of him, unless there is further cross examination.

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

GOVERNOR CAMPBELL: I have one question I would like to ask somebody. What is the situation on the Eumont unit to the north of this tract, the wells situated to the northeast of Section 19, what kind of gas proration unit you have down there, do





you know?

A I believe that is 160 acre gas unit.

GOVERNOR CAMPBELL: What would be the other- -

A The others are the 80 immediately north on Section 18.

MR. PORTER: That is the 80 dedicated to the gas unit?

A The North Half of the Northeast Quarter is dedicated to a gas unit, yes, sir.

MR. PORTER: If there are no further questions of this witness, he will be excused.

(Witness excused)

MR. PORTER: Mr. Morris, you say you don't have any more witnesses to bring?

MR. MORRIS: That is correct.

MR. PORTER: Mr. Kellahin?

MR. KELLAHIN: If the Commission please, we would like to recall Mr. Hocker for rebuttal testimony.

\* \* \* \* \*

RICHARD L. HOCKER,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q You are the same Mr. Hocker who previously testified in this case?



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A Yes, sir.

Q Mr. Hocker, directing your attention to what has been marked as Amerada's Exhibit Number Nine, can you identify that Exhibit and discuss it for us, the information shown on it?

A This is a map setting out the Eumont completions that were in existence at the time, or before the time, of the completion of the Warlick "A" Number One in April, 1962. The completion dates, dates of completion, the month and year, are shown on the wells immediately offsetting, or very close to offsetting the proposed well.

Q All of the wells you have shown on that exhibit were completed at the time you were considering drilling the Warlick Number One well?

A Yes. These are the dates of completion in the Eumont.

Q Now, referring to what has been marked as Exhibit Number Two.

A You mean Number Ten?

Q Number Ten. I am sorry.

A Number Ten is a structure map, series of two structure maps actually, that were prepared by our geological department, and were taken from our regular business files. These two maps prepared approximately January, 1961, prior to the drilling of the Warlick "A" Number One, eventual Eumont completion. These maps show the top of the Penrose and the base of the San Andres.

Q That is on the first page?



A Top of the Penrose.

Q Shows the top of the Penrose?

A Which is a member in the Eumont.

Q The second page.

A The base of the San Andres.

Q Base of the San Andres. What does that indicate in regard to the structural position of the lease that is involved in this hearing?

A It indicates to me that the proposed location for Warlick "A" Number One was at least as favorable as the wells that were producing at the same time and shown as red dots on Exhibit Number Nine. And this exhibit was based on records prepared prior to the drilling of the Warlick Number One well. You may notice the way in which these exhibits were prepared. There were some of the structure maps blocked out as requested by our geologist. However, it does show the geology without change and there have been no additions within the confines of the map shown.

Q Now, with reference to what has been marked as Exhibit Number Eleven, would you give us the same information in regard to that exhibit?

A Exhibit Number 11 is a map showing the completions that were in existence immediately prior to 8-62, which was the date of completion of Warlick "A" Number Two. The completion dates for the Blinebry zone is also shown, month and year, colored green.

Q In Exhibit Number 12, would you identify and discuss that



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exhibit?

A Well, Exhibit Number Twelve was prepared between the time that the - - well, after Warlick "A" Number One was drilled and prior to the time when A- - Warlick "A" Number Two was drilled. And it shows a series of four maps. The first figure one being, of Exhibit 12, being the top of Penrose. Figure Two being the base of the San Andres. Figure Number Three, top of the Clear Fork and Number Four the top of the Tubb.

MR. PORTER: Just a minute. For clarification, I believe that Clear Fork is the equivalent of the New Mexico Nomenclature called the Drinkard; is that right?

A Clear Fork, I think that is on our cross section close to the Blinebry, sir. I know there is some distinction between geologists, some terminology. This, also, if you will look at one of the cross sections, that we have indicated that the Blinebry is the top of the clear fork on our cross section, top of the Blinebry.

Q Figure Number Three is designed to show the top of the Blinebry regardless of what the nomenclature may be?

A Didn't change the nomenclature taken from the map terminology, our geologists used, I would acquaint the Clear Fork to the top of the Blinebry.

Q Now, what does Figure Number Four show?

A Figure Number Four shows the top of the Tubb, which is above the Drinkard zone. All- -



Q Pardon me. Did you finish? Now, what does this exhibit show in regard to the structural position of the lease insofar as the Blinebry production is concerned?

A Referring to Exhibit 12, Figure Three, it would appear that a location that was subsequently drilled as Warlick "A" Number Two, would be just as favorable as Warlick "A" Number One, structurally.

Q Now, you heard some testimony here in regard to the risk factor, risk involved in the drilling the wells which are located on the proposed units. How would you appraise the risk of drilling the Warlick Well Number One, "A" Number One?

A I think that the risk of drilling, let me say either of these wells, as a dry hole, is less than one in a hundred.

Q That is based on the information available at the time they were drilled?

A Yes, sir.

Q All right.

A With four or more productive zones, would seem that the chances of drilling a dry hole, of having all zones dense in one particular location, would be probably less than one in a hundred.

Q Now, what about the risk of drilling a Eumont gas well?

A You talking about well Number One?

Q Yes, sir.

A It doesn't seem that there was an exceptional amount of risk in drilling a Eumont Number One.



Q What about the risk of drilling a Blinebry well?

A I think the same would apply there. There was no exceptional risk.

Q There are some risks in drilling any well; that is true, is it?

A In one particular zone there would be some risk.

Q Now, Mr. Hocker, you heard the testimony of Mr. Hedrick in regard to cost figures, did you not?

A Yes, sir.

Q Did you hear him testify that the figures he gave on well costs included lease equipment?

A The figures as compared to the figures that I have would indicate that there were some lease equipment included.

Q And what would that lease equipment be utilized for in the main?

A There is a lease storage facility, and tanks and separators, which primarily is concerned with oil production.

Q Would they be the cost - - the cost of that equipment be attributable to a unit gas well?

A In my opinion, it would not. I can't exactly tie down exactly his figures, but seems to me that they must be in there.

Q Now, would the lease equipment be attributable to completion and equipment in a Blinebry gas well?

A Maybe some Blinebry does make some liquid, proportionate amount of liquid in the Blinebry. Compared to an oil well, I am



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not too sure of the proportion that will ensue.

Q Now, did you include these items of lease equipment in your figures in arriving - -

A No, sir. I think our exhibits are headed up as well completions, well drilling and well completion costs.

Q I don't believe you gave the total cost on the two wells involved. Do you have that figure?

A Yes, I do. I did not give them. That is right. The cost that we compute for Warlick "A" Number One, total cost for well, drilling and completing \$200,470.00. I think this compares to a number that was testified to as approximately \$210,000.00.

Q What is the total cost according to your calculations of drilling the Warlick "A" Number Two?

A Cost of drilling and completing was \$137,323.00.

Q One further question, Mr. Hocker, how does that compare with the figure that was testified to previously?

A Well, for Well Number Two, it was testified AFE was \$149,000.00, approximately; that the well cost as testified to by Mr. Hedrick was approximately \$159,000.00.

Q On what figures are your calculations based?

A The invoices we had and the well costs that we compute as a regular business record.

Q Are those costs costs which you attribute only to the well, without regard to the lease equipment?

A Yes, sir.



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Q Or, factors of that nature?

A Yes, sir.

Q Is there any risk factor involved in the installation of lease equipment?

A Not very much, sir.

Q Were Exhibits Nine, Ten, Eleven and Twelve prepared by you or under your supervision?

A Yes, sir.

Q All right.

MR. KELLAHIN: At this time, I would like to offer in evidence Exhibits Nine through Twelve inclusive.

MR. MORRIS: No objection.

MR. PORTER: If there is no objection to the exhibits, they will be admitted to the record.

(Whereupon, Amerada's Exhibits Nine, Ten, Eleven & Twelve, were admitted into evidence.)

MR. PORTER: Any questions.

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Hocker, was your Exhibit Number Ten prepared before Well Number One was drilled?

A Yes, sir.

Q And was your Exhibit 12 prepared before the Well Number Two was drilled?





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A Yes, sir.

Q From the information that you have given concerning these gas zones, then, I take it that you had reasonable expectation to believe that each of these wells was going to be productive of gas?

A Well, I think I testified before about the possibility of gas in the Blinebry. It would seem to me that- -

Q You can't very well refute risk on one hand and on the other hand say that you didn't expect to produce gas?

A I think this, that it is far greater on gas because of all of the wells, you will notice the red dots are gas wells, whereas, the green dots on the other exhibit which you refer to the Blinebry, there are more oil wells than there are gas wells.

Q So, even in contemplation that you would have at least one gas zone in each well, the wells were drilled on the basis of this 80 acre operating agreement with Campbell & Hedrick?

A Yes, sir.

Q Now, concerning the risk involved in the drilling of the well, do you consider the risk of a dry hole as the risk involved in the drilling of the well?

A This is one of the risks.

Q It is also a risk, is it not, to whether you are going to get a good well, or poor well, in every case?

A Well, I would like to point out in respect to the fact that you may be considering, say, the well didn't pay out, a non



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commercial well. In this case, if that is the case, why, Amerada would be assuming more risk by assuming greater interest in the well, would be paying then for a greater risk. As such, if the well is not commercial well, be taking more risks than we would have if we didn't take a greater interest in the well. Therefore, I don't think that the risk of not paying out--

Q It is one of the inherent risks in very well, though?

A Yes, and in my opinion, looks like we would be assuming more of it.

Q And you have then in every well, of course, the inherent risk of mechanical difficulties in the drilling- -

A This is all true, yes, sir. This is a business risk.

Q Now, 200 percent was included in the operating agreement with Campbell & Hedrick as being a risk and penalty factor for non-consenting interest; is that correct?

A That is my understanding the way I read it.

Q Does this discriminate at all as between zones?

A No.

MR. MORRIS: I believe that is all I have.

\* \* \* \* \*

MR. PORTER: Does anyone else have a question?

RE-EXAMINATION

BY MR. NUTTER:

Q Mr. Hocker, when the wells were originally drilled, what



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was Campbell & Hedrick's share of the cost of each of them?

A 6.25 percent.

Q And now, their interest in the Eumont well is reduced from 6.25 to 3.125?

A Under the provisions of the force-pooling, we are applying, that would be right.

Q And under the "A" Two, there their interest was 6.25 and it is now what?

A Would be forty-one hundred and twenty, or one-third, which would be 2.0833. The changing interest then would be 4.1667.

Q 4.1667. Now, did they - - as you received your invoices, as the operation was continuing, you sent copies of the invoices to them and they paid their 6.25 percent to you current, as the well was being drilled and you were paying the bill?

A I assume it was current. I know that they had paid it.

Q Was any question brought up at that time, while the bills were being submitted to them while they were paying the bills as to the propriety of the cost?

A I don't have knowledge of this.

MR. NUTTER: I see. That is all. Thank you.

MR. PORTER: Anyone else have a question of the witness?

GOVERNOR CAMPBELL: I would like to ask one question.

With regard to your Exhibit Number Nine and Eleven, which were offered, as I understand it, to indicate that there wasn't a great deal of risk involved in the drilling of these two wells?



A Yes, sir.

GOVERNOR CAMPBELL: If there was no substantial risk involved, is there any particular reason why there was such a lapse of time between the drilling of the surrounding wells and the drilling of these two wells? For example, in the Eumont, you have wells offsetting this acreage, 1955, 57, 58 and 60. Were there any other reasons why this acreage wasn't developed sooner?

A I don't believe that I know why.

GOVERNOR CAMPBELL: It would appear in the Blinbry that you may have been moving toward the northwest edge of the field.

A Yes, sir. The completions to the west of this Warlick "A" Two were more recent. However, prior to the drilling of the well.

MR. PORTER: Any further questions? Witness may be excused.

(Witness excused)

MR. PORTER: Does anyone have any further testimony to offer in this case? All right. We will hear your statements.

\* \* \* \* \*

MR. KELLAHIN: I think we have admittedly a rather peculiar situation here in that the normal forced-pooling case we are talking about sharing the cost of drilling a well to which we propose to dedicate certain acreage, or dedicate acreage to a well already drilled and assessing the cost against the acreage that



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is not presently participating. In this case, we have a reverse situation. The well has been drilled. The cost have been paid, and the non-consenting party has paid his cost, or purported share of the cost. We think it only fair and proper that he be reimbursed to the extent that the interest will be diluted by the pooling of this acreage, but at the same time, we are vitally concerned with getting this acreage pooled in order that these wells may be placed upon production and the owners in both the South Half of the Northeast and the North Half of the Southeast Quarter, may participate.

The acreage surrounding it is all dedicated to gas wells, both in the Eumont and Blinebry, and this is the only acreage that is left. Now, it has been ~~tended~~ <sup>condemned</sup> and I am somewhat concerned that the contention that this Commission is without jurisdiction to force-pool non-standard units. I think a review of the statute as it existed prior to the amendment which was adopted in 1961, and compare it to the present version of the statute, it is abundantly clear that the amendment was adopted for the primary purpose of clarifying the situation on which that contention could be based.

Under the old statute, it said, "that the pooling of properties of parties thereof shall be permitted and if not agreed upon, maybe required in any case when and to the extent that the smallness or shape of the separately owned tract under the enforcement of the uniform spacing, et cetera, would deprive such tract of the opportunity to recover his just and equitable share of the gas."



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It says, "when and to the extent that the smallness or shape of the tract under the enforcement of the uniform spacing." In submitting this provision, the Commission has in the past force-pooled under that statute non-standard units, but when we look at the new statute, I think it is quite clear that the intent of this statute was to permit force-pooling of non-standard units, where it says that, "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, or has drilled, or proposes to drill, a well on the said unit, the common source of necessity being to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool any part of such land or interest or both in the spacing or proration unit as a unit." And it certainly doesn't say that it has to be a standard unit or a proration unit established by Commission order, or anything of that nature. The very beginning of that subsection C in Section 65314 says, when two or more separately owned tract of land embraced within a spacing or proration unit, where owners of royalty interest are undivided interests, owners embraced within such proration unit - - What we are talking about here is an area that is embraced within two proration units approved by this Commission. And certainly we have met the requirements on that part and whether they are standard or non-standard units is not a matter to be concerned with at this point. I think the Texas influence should be rejected by the Commission in regard to limiting the powers of



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this Commission to pool acreage in order to form drilling unit wells under Rule 37 that has been so disastrous down there.

The question that we are really concerned with is, I think, the cost to be allocated in connection with this force-pooling application. And there again, there may be some question as to the authority of the Commission to pass on the cost in the peculiar situation that exists in this case.

We have submitted our cost information and we have sat by while the - - our opponents have submitted their cost figures without any objection simply because we do think that the commission should be advised of all equity involved in it. However, we do want a force-pooling order. If Campbell & Hedrick are going to rely upon the provisions of the unit agreement, the operating agreement, which has been discussed here, this Commission certainly has no jurisdiction to enforce that. That is a contract right, and they have their remedy in the proper form, which is not before this Commission. But, in that connection, just in determining what their rights may be, in order that the Commission may fairly appraise the situation, I would point out that the two hundred percent penalty clause that they have discussed here applies only and solely to the non-consenting parties in the formation of a unit for the purpose of drilling a well. It is our position in this case, there is no non-consenting parties involved either on the part of Campbell & Hedrick or on the part of the Amerada Petroleum Corporation. The well has been drilled, has been paid for. What



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we are now trying to do is arrive at a reimbursement to them for the cost that they have incurred simply because the interest has been diluted. I don't know of this situation ever having been presented to the Commission in the past. But, in the - - any event, assuming that the Commission can and will make an allocation of the well costs here and assuming that we certainly resist any claim for a risk factor, the risk having already been assumed and met long since, but assuming that the Commission is going to grant a risk factor, the statute itself limits the Commission's authority to grant a risk factor. The charge for risk factor shall not exceed 50 percent of the non-consenting working interest or owner or owners of proration, the share of the cost of drilling or completing the well. We submit on the basis of the situation that exists, no risk factor should be granted whatever.

Now, as to Campbell & Hedrick's proposal, among other things, they ask that this Commission enter an order in the event they see fit to force-pool this acreage, granting Campbell & Hedrick that portion of the production which they would achieve as if the unit had stayed at 80 acres. That again, I am satisfied, and I believe the Commission will be satisfied, is beyond the jurisdiction of this Commission, in that the force-pooling statute provides that the allocation to be made shall be made upon the basis of the surface acreage and surface acreage of the owner, that relationship between his property and the total property in the unit, and the Commission certainly can't say on one hand, we will





force-pool this 160 acres, and on the other hand say, we will not as to Campbell & Hedrick.

We submit that we are entitled at this time to a force pooling order and we will abide by the judgment of the Commission, in the allocation of cost, having submitted the question to the Commission; we appreciate the patient with which you have heard this case. Thank you.

\* \* \* \* \*

MR. MORRIS: May it please the Commission, I believe that it is apparent here that the real crux of this whole matter, as far as facts are concerned, is that in the full expectation that gas would be produced in the acreage under consideration in the Eumont and in the Blinebry, Amerada proceeded to drill the two wells, knowing that they were drilling those wells on an acreage covered by an 80 acre operating agreement, even after having been advised of problems that might be attendant to the formation of a gas unit by Mr. Hedrick in his letters. Then, when some pretty good wells were obtained in the Eumont and Blinebry, and had been potentialized, then, Amerada comes along and wants to put in another 80 acres, and magnanimously offers to Campbell & Hedrick to return a proportionate share of the well costs which they had already paid. Just not fair, that is what it really boils down to, and in force-pooling, I guess- - in entering a force-pooling order,



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the language of the statute gives the Commission broad powers to enter it upon terms and conditions which will be just and equitable.

Now, we believe Campbell & Hedrick have the right to share in these wells, One and Two, on the basis of this operating agreement, their 80 acre operating agreement. In this case, Amerada would appear to be using pooling as a means to supersede their obligations under that operating agreement. We do not believe that there is a just and equitable approach to the situation. Especially, it would not seem to be fair in view of Campbell & Hedrick taking the risks, whatever risks there may have been in the drilling of these two wells. Amerada is attempting to get the benefit of these two wells without taking any of the risks involved in their drilling. And without offering to pay for that risk that was taken on their behalf, in effect, by Campbell & Hedrick.

As I say, the return of the proportionate share of well cost to Campbell & Hedrick is not enough to rectify the situation, not enough to restore equities. You have the question of risk, which we fully discussed. You also have the question of the reduction of their interest in these wells, which will cost them money as soon as the wells go below a top allowable for 120 or 160 acres, Blinbry and Eumont respectively. Which, is sure to happen. Now, what would rectify the situation, what would be some terms and conditions which the Commission might impose in effecting pooling? Mr. Hedrick testified at the conclusion of his testimony at the conclusion of his presentation, that first of all, of course



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would be a proper allocation of costs. Now, proper allocation of costs would mean an allocation of costs according to whatever agreements are in existence, operating agreements, the agreement stated in the AFE, and any letter agreement that the Commission may deem to be controlling. Certainly, at the very outset, you should have, as Mr. Nutter calls it, a rebate of the proportionate share of costs. Seems to me that the question of interest upon the share of this cost might properly be considered, also.

Mr. Hedrick also brought out quite forcefully that something should be given to them for carrying the risks for Amerada. As a reasonable basis for this risk, he has proposed 200 percent. Now, we are not contending that Amerada is bound by that operating agreement to pay us 200 percent. We are taking that 200 percent and saying it is reasonable because that is contained in the operating agreement, which would have been binding on Campbell & Hedrick, if they had refused to pay any proportionate share in these - of their well costs. The same should be true as to Amerada which was, in effect, non-consenting party. Well, to us, an expression that he laid behind the logs until they saw that there was some good wells that they could get in on.

Now, we feel that the Commission is not restricted to 150 percent. We feel that 150 percent is not applicable in this case, because under the statute, it is intended to apply to the situation where the operator of the well is authorized to withhold from the proceeds from production 150 percent attributable to an



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actual non-consenter. We feel this case is unique enough that it would come within the broad powers of the Commission to enter an order to terms that you feel is reasonable and just under the circumstances. We feel that 200 percent would be fair. If the Commission should feel that they are limited by the 150 percent, we would certainly recommend that they go the full extent of their authority.

We feel that perhaps one of the most just and equitable provisions that the Commission could make in its order would be to protect Campbell & Hedrick from the situation where their interest would be reduced and when the wells fell below top allowable productivity. In other words, we are really requesting that Amerada be requested to respect their obligations under the operating agreement, and to recognize its obligations to pay to Campbell & Hedrick just as though the operating agreement were still in effect, giving them their 1/16th in the 80 acres. I believe that the Commission, having the operating agreement before it, is not necessarily enforcing the operating agreement, it is not rendering a judgment on the operating agreement. It is merely taking cognizance that there is an agreement and says it is fair and equitable for you to respect it. That would be within the powers of the Commission to do that.

As I said, once earlier in this proceeding, I personally believe that there may be some question as to the Commission's authority in this matter. However, we do need, as has been pointed



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out, we do need to reach some sort of solution in this matter, so that the well can be produced. If the Commission should refuse to order pooling, it might relegate Campbell & Hedrick to a lawsuit on their operating agreement, which would be further time consuming, and would probably not be to the best interest of anyone. If the Commission will give full consideration to the terms we recommend here, we certainly feel that it would be to the best interest of every one to secure a pooling order in that matter, and we respectfully request that an order be entered on the terms and conditions we have outlined. Thank you.

\* \* \* \* \*

GOVERNOR CAMPBELL: I can't resist the observation that both sides seem to me feel that the Commission is completely without jurisdiction except to grant their particular request.

MR. KELLAHIN: It would occur at this point that we are in agreement and can force-pool it. I would like to just make observation that Counsel seems to say that Amerada, without taking any risks whatsoever, would get the benefit of these two wells. I don't know just who assumes the balance of the risks when Campbell & Hedrick's interest 6.25 percent. Certainly somebody did, and I was under the impression that Amerada had assumed their proportionate share of the risk when the wells were drilled, and assumes a proportionate share of the risk as to the life existence - expectancy of those wells.

In connection with the allocation of costs, certainly we



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have, as we say, had some doubt as to whether the Commission can allocate those costs, but we have presented figures, and Campbell & Hedrick has presented figures, and in consideration of those figures, I would like to point out that Campbell & Hedrick presented a gross figure without any breakdown whatsoever as to what their figures consisted of, whether they were leasehold expenses, or lease equipment or well drilling or what. We have presented a figure for each of the wells, which show exactly what the expenditures were. I think our testimony shows that these costs should be attributed to the two wells involved.

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MR. PORTER: Does anyone else have anything to offer in this case? The Commission will take the case under advisement.

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STATE OF NEW MEXICO X  
COUNTY OF BERNALILLO I

I, ROY D. WILKINS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby state and certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

WITNESS MY HAND AND SEAL OF OFFICE, this the 2nd day of October, 1963.

  
NOTARY PUBLIC

My Commission Expires;  
September 6, 1967.

