CASE 6515: SOUTHLAND ROYALTY COMPANY OR COMPULSORY POOLING, SAN JUAN COUNTY, IEW MEXICO

CASE NO.

6515

APPlication,
Transcripts,
Small Exhibits,

ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
28 March 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Southland Royalty Company for compulsory pooling, San Juan County, New Mexico.

CASE 6515

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

APPEARANCES

For the Oil Conservation Division:

Lynn Teschendorf, Esq. Legal Counsel for the Division State Land Office Bldg. Santa Fe, New Mexico 87503

For the Applicant:

William F. Carr, Esq.
CAMPBELL AND BLACK P. A.
P. O. Box 2208
Jefferson Place
Santa Fe, New Mexico 87501

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I N D E X

CURTIS PARSONS

Direct Examination by Mr. Carr

EXHIBITS

Applicant Exhibit One, Document

MR. STAMETS: Call next Case 6515.

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Southland Royalty Company for compulsory pooling, San Juan

MS. TESCHENDORF: Case 6515. Application of

County, New Mexico.

MR. CARR: Mr. Examiner, I'm William F.

Carr, Campbell and Black, P. A., Santa Fe, appearing on behalf of the applicant. I have one witness.

MR. STAMETS: Will the witness stand and be sworn, please?

(Witness sworn.)

CURTIS PARSONS

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Will you state your full name and place of

residence?

Yes. I'm Curtis Parsons. I live in

Farmington, New Mexico.

Mr. Parsons, by whom are you employed?

And in what position?

I'm District Engineer for Southland Royalty

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Company.

Q. Have you previously testified before this Commission and had your credentials as an engineer accepted and made a matter of record?

A. Yes, I have.

Q Are you familiar with the subject matter of this case?

A. Yes, I am.

MR. CARR: Are the witness' credentials acceptable?

MR. STAMETS: They are.

Q. (Mr. Carr continuing.) Mr. Parsons, will you briefly state what Southland seeks with this application?

A. Southland seeks a forced pooling of a royalty interest for a Dakota well.

The situation is that the -- all of the working interests have agreed to drill the well but one 40-acre tract, approximately 40-acre tract, which is leased to Tenneco and Continental jointly, it is a very old lease and does not have a pooling agreement written into the lease, so all that is necessary is forced pooling of this royalty interest for proper execution of the communitization agreement.

Q And you represent 100 percent of the working

SALLY WALTOIN BOCENTIFIED SHORTHAND REPORTED SHORTHAND REPORTED SHARES (5015) 47 Santa Pe. New Merico E.

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ALLY WALTON BOYE THEED SHORTHAND REPORTE OPLEAR BRINGE (SOE) 471-54(SINGE FO, NOW MOSICO 37501 interest ownership?

- A. Yes, that is correct.
- Q Will you refer to what has been marked for identification as Southland Royalty Company Exhibit Number One and explain to the Examiner what it is and what it shows?
- A. Okay. On the cover of this we have a plat of this half section which will be dedicated to the well. The acreage in question is Lot 4, 41.52 acres. It's referred to as Tract Number 2, the lessors being Barbara Witten, Dorothy Gamp, and Frederick Nathan, Trustee. The lessee is Conoco and Tenneco with their 50-50 ownership of the lease.

As I stated previously, all of the other tracts have more or less standard lease agreements which have pooling clauses written into them, and Conoco and Tenneco have both signed AFEs agreeing to join as working interest owners and contributing both Tracts 1 and 2 to the drilling tract, or drilling unit, Tract 2 being technically well, I don't know how to put it. They apparently don't have a technical right to pool that acreage with anything else; however, there are no mineral interests which could be developed on a 40-acre spacing. It's necessary for it to be developed at all, that it be pooled with something else.

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A Okay, this is a letter written to Conoco and Tenneco advising them of today's hearing officially. They had been advised prior to this by telephone conversation, just advising them that forced pooling proceeding is being taken care of, and that they are advised, and advised to let these interested parties know.

Q. Now will you refer to the next page of the exhibit and summarize this for the Examiner?

A. Okay. This is a response letter. We might skip over a couple of more pages, response letter to a letter from the USGS requesting that this well be drilled to prevent drainage.

Q Now will you go on through the exhibit and explain the remaining --

A. Okay.

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A. After the rough plat, which only shows the Federal lease numbers, the next exhibit is a letter to Mr. Saul Yeager. Legally Mr. Yeager is not involved in the property; however, the three parties who are involved lean heavily on his advice, and he essentially is authorized to act for them.

So we have had some correspondence with him

regarding this problem.

This is a letter to Mr. Yeager concerning about the lease, and there was a question as to whether or not the lease was valid. This came up in an El Paso Natural Gas case for another well on the tract back in the early '50s and was resolved, apparently, at that time.

The next letter is a cover letter to the communitization agreement that was mailed also to Mr. Yeager just as an informational courtesy, so that he could examine it for these other people.

The next letter, dated July 19th of '78, is the cover letter that went with the communitization agreement, that was mailed to all of the royalty owners for execution.

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The next letter again is another letter that was mailed to all royalty and overriding interest owners requesting their execution of communitization agreements.

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SALLY WALTON (30)
CERTIFED SHORTHAND REPORT
3010PLER BIADGE (505) 471-3
Santa Fe, New Mexico 875

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Mr. Parsons, has Mr. Yeager and the royalty
interest owners who are being pooled by this application,
have they been notified of this hearing?

- A. Yes, they have.
- Q. And have they communicated with you or your Denver office concerning the hearing?
- A. They indicated to Judy Yacobson, who is a contract land person in Denver, that they would not be here.
 - Q Okay.
 - A. This was by telephone on Tuesday.
- Q In your opinion will granting this application be in the interest of conservation, the prevention of waste, and the protection of correlative rights?
 - A. Yes, it will.
- Q. Was Exhibit Number One either prepared by you or have you reviewed it and can testify to its accuracy?
 - A. Yes.

MR. CARR: At this time, Mr. Examiner, we would offer Southland Royalty Company Exhibit Number One.

MR. STAMETS: The exhibit will be admitted.

Are there any questions of the witness? He may be excused.

Anything further in this case?

MR. CARR: Nothing firther.

The case will be taken under

advisement.

(Hearing concluded.)

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REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

I do hereby certify that the foregoing is a complete recor fie Examiner hearing 33 Case No. 65/5

Oil Conservation

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION State Land Office Building Santa To, New Mozico 28 March 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Southland Royalty Company for compulsory pooling, San Juan County, New Mexico.

CASE 6515

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

APPEARANCES

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For the Applicant:

William F. Carr, Esq. CAMPBELL AND BLACK P. A. P. O. Box 2208 Jefferson Place Santa Fe, New Mexico 87501

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INDEX

Direct Examination by Mr. Carr

CURTIS PARSONS

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MR. STAMETS: Will the witness stand and be sworn, please?

(Witness sworn.)

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BY MR. CARR:

Q Will you state your full name and place of residence?

A. Yes. I'm Curtis Parsons. I live in Farmington, New Mexico.

Q Mr. Parsons, by whom are you employed?
And in what position?

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CERTIFIED SHORT 2010 Plaza Blanc Santa Fe, Ner Company.

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LV WALTON BOYD
ED SHORTHAND REPORTER
TAR BLUCA (505) 471-2462
1.Fe, Now Mexico 87501

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SALLY WALTON BOY
CERTIFIED SHORTHAND REPORT
3020 Plaza Blanca (305) 471-24
Senta Fe, New Mexico 8750

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REPORTER'S CERTIFICATE

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Sally W. Boyd, C.S.R.

I do hereoy certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. neard by me on Examiner

Oil Conservation Division

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STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

JERHY, APODACA GOVERNOR

NICK FRANKLIN SECRETARY

Other

April 9, 1979

POST OFFICE BOX 2008 STATE LAND OFFICE BUILDING SANTA FL, NEW MEXICO 87501 ISOSI 827-2434

Mr. William FCarr Campbell & Black	Re:	CASE NO. 6515 ORDER NO. R-5795
Attorneys at Law Post Office Box 2208 Santa Fe, New Mexico		Applicant:
		Southland Royalty Company
Dear Sir:		
		opies of the above-referenced ered in the subject case.
Yours very truly,		
JOE D. RAMEY Director		· · · · · · · · · · · · · · · · · · ·
		•
JDR/fd		
Copy of order also sent	to:	
Hobbs OCC X Artesia OCC X Aztec OCC X		

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 6515 Order No. R-5975

APPLICATION OF SOUTHLAND ROYALTY COMPANY FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 28, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of April, 1979, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Southland Royalty Company, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 31, Township 31 North, Range 11 West, NMPM, Basin-Dakota Pool, San Juan County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a location 1190 feet from the South line and 1190 feet from the West line of said Section 31.
- (4) That there are royalty interest owners in the proposed proration unit who have not agreed to pool their interests.

-2-Case No. 6515 Order No. R-5975

- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.
- (7) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.
- (8) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before July 1, 1979, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED: ...

(1) That all mineral interests, whatever they may be, in the Dakota formation underlying the W/2 of Section 31, Township 31 North, Range 11 West, NMPM, Basin-Dakota Pool, San Juan County, New Mexico, are hereby pooled to form a 325.2-acre gas spacing and proration unit to be dedicated to a well to be drilled 1190 feet from the South line and 1190 feet from the West line of said Section 31.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of July, 1979, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Dakota formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of July, 1979, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

-3-Case No. 6515 Order No. R-5975

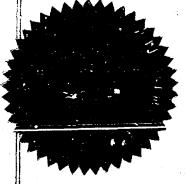
- (2) That Southland Royalty Company is hereby designated the operator of the subject well and unit.
- (3) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.
- (4) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO QIL CONSERVATION DIVISION

JOE D. RAMEY,

Director





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GRENIER #23

Drillsite Acreage Description W/2, Section 31, T31N, R11W San Juan County, New Mexico

Total Acreage: 325.20 Acres

TRACT #1: E/2 SW

Federal Lease # SF-078097

Owned jointly by Tenneco & Conoco.

TRACT #2: Lot 4

Lessors: Barbara Witten

Dorothy Gimp Frederick Nathan, Trustee

Lessee's: Conoco & Tenneco

TRACT #3: E/2 NV, Lots 1, 2, & 3
Federal Lease # SF-078115

Owned by Southland Royalty Company

Working Interests: SRC -.6264

Tenneco - .1868 Conoco - .1868

BEFORE EXAMINER STAMETS		
OIL CONSERVATION DIVISION		
EXHIBIT NO.		
CASE NO. 6518		
Submitted by Southland		
Hearing Dale 3/28/79		

P.O. DRAWER 570 (505) 325-1841 FARMINGTON, NEW MEXICO 87401

BUSINESS: 303/861-9565 RESIDENCE: 303/279-9472

March 20, 1979

Continental Oil Company P. O. Box 460 1001 N. Turner Hobbs, New Mexico 88240 Tenneco Oil Company Penthouse 720 S. Colorado Blvd., Denver, Colorado 80222

Attn: Mr. E.L. Oshlo

Attn: Mr. Millard F. Carr

RE: Grenier #23 Dakota Well

Township 31 North-Range 11 West, NMPM Section 31: ₩½ (Lots 1,2,3,4,E½W½) San Juan County, New Mexico

Gentlemen:

Southland Royalty Company proposes to drill a 7008 foot Dakota test in the SW_4 , Section 31, Township 31 North-Range 11 West, N.M.P.M., San Juan County, New Mexico. Spacing for this area is 320 acres for the Dakota Formation. We have contacted all working interest, royalty, and overriding royalty owners and asked them to sign a Communitization Agreement covering the W_2 , Section 31, Township 31 North-Range 11 West.

The following persons who are royalty owners under your lease which covers Township 31 North-Range 11 West, Section 31: Lot 4 (SW/SW), San Juan County, New Mexico, have expressed an unwillingness to sign the Agreement:

Barbara Ann Witten Dorothy Gimp Frederic S. Nathan, Trustee

Therefore, we have begun force pooling proceedings in order that the land may be communitized and the well properly drilled. The Force Pooling Application will be heard by the New Mexico Oil and Gas Commission on Wednesday, March 28, 1979, at 9:00 a.m., in the State Land Office Building, at Santa Fe, New Mexico.

We are furnishing each of the parties to be force pooled a copy of this letter, along with signature pages to the Communitization Agreement. Thus, if any party decides to sign the Agreement rather than be force pooled, he may do so, if he returns the properly executed signature pages to this office prior to March 27, 1979.

2300 COLORADO STATE BALK BUILDING . 1600 BROADWAY . DENVER, COLORADO 80202

If you have any questions concerning this matter, please let me know.

Very truly yours,

MILLER RESOURCES CORPORATION

JUDY YAKOBSON Landman

JY:dh

xc: Larry Parish, Southland Royalty Company
Curt Parsons, Southland Royalty Company
Barbara Ann Witten (w/encl)
Dorothy Gimp (w/encl)
Frederic S. Nathan (w/encl)

dy Nokalises

March 7, 1979

United States Department of the Interior United States Geological Survey Conservation Division P. O. Box 26124
Albuquerque, New Mexico 87125

Attention: Gene F. Daniel

Re: Drainage of Federal Lease SF-078115

Dear Sir:

We have received your letter regarding the protection of the subject lease from drainage in the Dakota formation.

Southland Royalty Company spudded the Grenier #23 on December 26, 1978. Production casing was run on January 11, 1979 and the well is presently waiting on completion. (Sundry Notices and Intent attached) This is to be a Dakota well and should provide protection for lease SF-078115 in section 31, T31N, R11W, San Juan County, New Mexico.

The well will be completed as weather conditions and rig availability dictate.

Yours truly,

L. O. Van Ryan

District Production Manager

LOVR/dg

Attachments

Color States

P.O. DRAWER 570 (505) 325-1841 FARMINGTON, NEW MEXICO 87401

January 25, 1979

United States Geological Survey P. O. Box 959 Farmington, New Mexico

Attention: Mr. P. T. McGrath

Re: Protection from Drainage - Federal Oil and Gas Lease No. SF-078115

Dear Sir:

The subject lease in the SE/4 of section 35, T31N, R11W is offset to the north by the new well in the NE/4 of section 35 and to the west by Southland Royalty Company well, Alston #1.

The Alston #1 was completed in the Pictured Cliffs formation in 1973 and had a CAOF of 653 Mcf/D. Through 1977, the cummulative production was 66 M²cf. It's current production is less than 1 Mcf/D. The new well in the NE/4 of section 35 is not connected to the pipeline and therefore, does not have any production listory.

In view of the poor well in the SW/4 of the section, we will need production history from the new well in the NE/4 before the economics of a well in the SE/4 of section 35 can be evaluated. We will watch this area and may be able to include the well requested on our 1980 drilling program.

Yours truly,

L. O. Van Ryan Discrict Production Manager

LOVR/dg

CC: Marlin Thompson SRC-Ft. Worth

P.O. DRAWER 570 (505) 325-1841 FARMINGTON, NEW MEXICO 87401



United States Department of the Interior

GEOLOGICAL SURVEY
Conservation Division
P. O. Box 26124
Albuquerque, N. M. 87125

JAN 17 1979

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Southland Royalty Company 1000 Fort Worth Club Tower Fort Worth, Texas 77102

Gentlemen:

According to our records, you are the lessee of Federal oil and gas lease SF-078115. This lease is subject to drainage by State of N. M. Unit "M" Well No. 1, in the NEWNEW sec. 36, T. 31 N., R. 12 W., N.M.P.M. This well was reported as completed on September 28, 1964, in the Dakota formation with an initial potential of 2,468 MCF per day.

Both the terms of your lease and the oil and gas operating regulations require protection of the leased lands from drainage. Accordingly, please advise us by no later than thirty days from receipt of this letter regarding your plans for protecting the subject Federal lease from drainage.

If at that time, it is decided that no offset protection is necessary, detailed engineering, geologic and economic data should be furnished to justify your position.

Sincerely yours,

GENE F. DANIEL

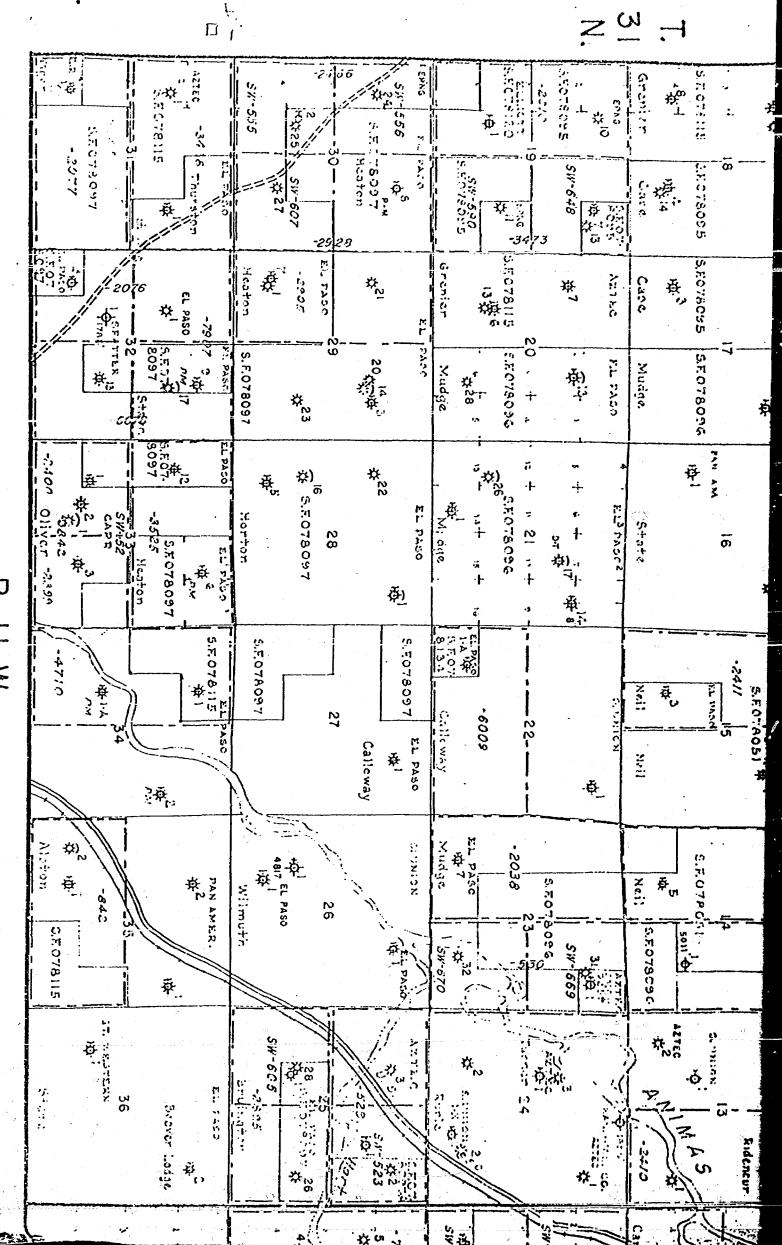
Asst. Oil and Gas Supervisor, SRMA

Grewier #23

RECEIVED
JAN 2 5 1979

FARMINGTON DISTRICT





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Mr. Saul Yager 2505 East 36th Place Tulsa, Oklahoma 74105

Re: Grenier #23 Dakota Gas Well

Township 31 North - Range 11 West, NMPM

Section 31: W/2

San Juan County, New Mexico

Dear Mr. Yager:

I spoke with Mr. Derald Maney of El Paso Natural Gas Company just before I left for vacation about two weeks ago. Mr. Maney advised me that the oil and gas lease under the SW/SW Section 31, has been held by production since its primary term.

You may wish to talk with Mr. Maney should you have any specific questions regarding the above.

El Paso's address and telephone number are:

El Paso Natural Gas Company

P. O. Box 1492

El Paso Texas 79978

(915) 543-3989

Very truly yours,

Judy Yakobson

JY:DR

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and the second s

Mr. Saul Yager 2505 East 36th Place Tulsa, Oklahoma 74105

Re: Communitization Agreement Grenier #23 T31N, R11W, NMPM
Sec. 31, Lots 1, 2, 3 & 4, E/2, W/2 (W/2)
San Juan County, New Mexico

Dear Mr. Yager:

Enclosed is a copy of the communitization agreement that covers the captioned wells.

I'11 keep you posted on the status of this well.

Very truly yours,

Judy Yakobson

JY:DR

Mrs. M. E. Gimp C/O Zales Jewelers 4th & Main Streets Tulsa, Oklahoma 74103

RE: Grenier #23 Dakota Gas Well
Township 31 North - Range 11 West, N.M.P.M.
Section 31, Lots 1, 2, 3, 4, E/2, W/2, (W/2)

Dear Mrs. Gimp:

Yesterday I spoke with Mr. Saul Yager and he told me that Mr. Gimp had recently died. As his death has not been recorded in San Juan County, New Mexico, Southland Royalty Company's attorney has shown the interest to be in both of your names and I have reflected it as such in the Communitization Agreement enclosed with this letter.

When you return your signature papers to me, would you please send me a copy of Mr. Gimp's death certificate, the instrument that names you as executrix and a copy of his will. We will need to submit these to Southland's attorney before he prepares his Gas Division Order Title Opinion.

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If you should have any questions regarding this matter, please don't hesitate to call me at (303) 361-9565.

Very truly yours,

JUDY YAKOBSON

Enclosure

Mr. Saul Yager 2505 East 36th Place Tulsa, Oklahoma 74105

RE: Grenier #23 Dakota Gas Well
Township 31 North - Range 11 West, N.M.P.M.
Section 31: W/2 San Juan County, New Mexico

Dear Mr. Yager:

Enclosed is a status report concerning the Grenier #23 Well. Yours very truly,

JUDY YAKOBSON

Enclosure

July 13, 1978

TO: All Royalty & Overriding Royalty Interest Owners

RE: Grenier #23 Dakota Gas Well
Township 31 North - Range 11 West, N.M.P.M.
Section 31, Lots 1, 2, 3, 4, E/2, W/2, (W/2)
San Juan County, New Mexico

Southland Royalty Company proposes to drill a gas well to the Dakota formation in the SW/4 of Section 31, T31N, R11W, San Juan County, New Mexico. As Regulatory Spacing for a Dakota well is 320 acres, we are asking that you execute the enclosed Communitization Agreement. If it meets with your approval, execute and have notarized the six sets of signature and acknowledgement papers that are attached to the Agreement. Please send the papers back to me at this office. You may keep your copy of the Agreement for your records. I will then submit the Agreement to the U.S.G.S. for approval. After it has been approved, each interested party will receive a set of fully executed and acknowledged signature pages.

If you have any questions, please call me.

Very truly yours,

JUDY YAKOBSON

Enclosures



		<u> </u>
•		
	Lot 1	NE NW
	41.08	40
	Lot 2 41.22	SE NW 40
,		
		[
	Lot 3	NE SW
	41.38	40
		[
	Lot 4	SE SW
1	41.52	40

GRENIER #23

Drillsite Acreage Description W/2, Section 31, T31N, R11W San Juan County, New Mexico

Total Acreage: 325.20 Acres

TRACT #1: E/2 SW

Federal Lease # SF-078097

Owned jointly by Tenneco & Conoco.

Lot 4

Barbara Witten Dorothy Gimp Lessors:

Frederick Nathan, Trustee

Lessee's: Conoco & Tenneco

TRACT #3: E/2 NW, Lots 1, 2, & 3
Federal Lease # SF-078115

Owned by Southland Royalty Company

Working Interests: SRC -

Tenneco - .1868 Conoco - .1868

Exhibit 1 Case 6515

P.O. DRAWER 570 (505) 325-1841 FARMINGTON, NEW MEXICO 87401

BUSINESS: 303/861-9565 RESIDENCE: 303/279-9472

March 20, 1979

Continental Oil Company P. O. Box 460 1001 N. Turner Hobbs, New Mexico 88240 Tenneco Oil Company Penthouse 720 S. Colorado Blvd., Denver, Colorado 80222

Attn: Mr. E.L. Oshlo

Attn: Mr. Millard F. Carr

RE: Grenier #23 Dakota Well

Township 31 North-Range 11 West, NMPM Section 31: №2 (Lots 1,2,3,4,E½№2) San Juan County, New Mexico

Gentlemen:

Southland Royalty Company proposes to drill a 7008 foot Dakota test in the SW4, Section 31, Township 31 North-Range 11 West, N.M.P.M., San Juan County, New Mexico. Spacing for this area is 320 acres for the Dakota Formation. We have contacted all working interest, royalty, and overriding royalty owners and asked them to sign a Communitization Agreement covering the W½, Section 31, Township 31 North-Range 11 West.

The following persons who are royalty owners under your lease which covers Township 31 North-Range 11 West, Section 31: Lot 4 (SW/SW), San Juan County, New Mexico, have expressed an unwillingness to sign the Agreement:

Barbara Ann Witten
Dorothy Gimp
Frederic S. Nathan, Trustee

Therefore, we have begun force pooling proceedings in order that the land may be communitized and the well properly drilled. The Force Pooling Application will be heard by the New Mexico Oil and Gas Commission on Wednesday, March 28, 1979, at 9:00 a.m., in the State Land Office Building, at Santa Fe, New Mexico.

We are furnishing each of the parties to be force pooled a copy of this letter, along with signature pages to the Communitization Agreement. Thus, if any party decides to sign the Agreement rather than be force pooled, he may do so, if he returns the properly executed signature pages to this office prior to March 27, 1979.

2300 COLORADO STATE BANK BUILDING . 1600 BROADWAY . DENVER, COLORADO 80202

If you have any questions concerning this matter, please let me know.

Very truly yours,

MILLER RESOURCES CORPORATION

Landman

JY:dh

xc: Larry Parish, Southland Royalty Company
Curt Parsons, Southland Royalty Company
Barbara Ann Witten (w/encl)
Dorothy Gimp (w/encl)
Frederic S. Nathan (w/encl)

March 7, 1979

United States Department of the Interior United States Geological Survey Conservation Division P. O. Box 26124
Albuquerque, New Mexico 87125

Attention: Gene F. Daniel

Re: Drainage of Federal Lease SF-078115

Dear Sir:

We have received your letter regarding the protection of the subject lease from drainage in the Dakota formation.

Southland Royalty Company spudded the Grenier #23 on December 26, 1978. Production casing was run on January 11, 1979 and the well is presently waiting on completion. (Sundry Notices and Intent attached) This is to be a Dakota well and should provide protection for lease SF-078115 in section 31, T31N, R11W, San Juan County, New Mexico.

The well will be completed as weather conditions and rig availability dictate.

Yours truly,

L. O. Van Ryan

District Production Manager

LOVR/dg

Attachments

Cray De gladon

P.O. DRAWER 570 (505) 325-1841 FARMINGTON, NEW MEXICO 87401

January 25, 1979

United States Geological Survey P. O. Box 959
Farmington, New Mexico

Attention: Mr. P. T. McGrath

Re: Protection from Drainage - Federal Oil and Gas Lease No. SF-078115

Dear Sir:

The subject lease in the SE/4 of section 35, T31N, R11W is offset to the north by the new well in the NE/4 of section 35 and to the west by Southland Royalty Company well, Alston #1.

The Alston #1 was completed in the Pictured Cliffs formation in 1973 and had a CAOF of 653 Mcf/D. Through 1977, the cummulative production was 66 M²cf. It's current production is less than 1 Mcf/D. The new well in the NE/4 of section 35 is not connected to the pipeline and therefore, does not have any production history.

In view of the poor well in the SW/4 of the section, we will need production history from the new well in the NE/4 before the economics of a well in the SE/4 of section 35 can be evaluated. We will watch this area and may be able to include the well requested on our 1980 drilling program.

Yours truly,

L. O. Van Ryan District Production Manager

LOVR/dg

CC: Marlin Thompson SRC-Ft. Worth

P.O. DRAWER 570 (505) 325-1841 FARMINGTON, NEW MEXICO 87401



United States Department of the Interior

GEOLOGICAL SURVEY Conservation Division P. O. Box 26124 Albuquerque, N. M. 87125

JAN 1 ? 1979

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Southland Royalty Company 1000 Fort Worth Club Tower Fort Worth, Texas 77102

Gentlemen:

According to our records, you are the lessee of Federal oil and gas lease SF-078115. This lease is subject to drainage by State of N. M. Unit "M" Well No. 1, in the NE NE sec. 36, T. 31 N., R. 12 W., N.M.P.M. This well was reported as completed on September 28, 1964, in the Dakota formation with an initial potential of 2,468 MCF per day.

Both the terms of your lease and the oil and gas operating regulations require protection of the leased lands from drainage. Accordingly, please advise us by no later than thirty days from receipt of this letter regarding your plans for protecting the subject Federal lease from drainage.

If at that time, it is decided that no offset protection is necessary, detailed engineering, geologic and economic data should be furnished to justify your position.

Sincerely yours,

GENE & Daniel

Asst. Oil and Gas Supervisor, SLMA

Grewier #23

RECEIVED JAN 2 5 1979 FARMINGTON DISTRICT



R. : | ≶.

Mr. Saul Yager 2505 East 36th Place Tulsa, Oklahoma 74105

Re: Grenier #23 Dakota Gas Well Township 31 North - Range 11 West, NMPM Section 31: W/2 San Juan County, New Mexico

Dear Mr. Yager:

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You may wish to talk with Mr. Maney should you have any specific questions regarding the above.

El Paso's address and telephone number are:

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Very truly yours,

Judy Yakobson

JY:DR

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Re: Communitization Agreement Grenier #23

T31N, R11W, NMPM
Sec. 31, Lots 1, 2, 3 & 4, E/2, W/2 (W/2)
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Enclosure

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Enclosure

July 13, 1978

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Section 31, Lots 1, 2, 3, 4, E/2, W/2, (W/2)
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Enclosures



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GRENIER #23

Drillsite Acreage Description W/2, Section 31, T31N, R11W San Juan County, New Mexico

Total Acreage: 325.20 Acres

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Owned jointly by Tenneco & Conoco.

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Frederick Nathan, Trustee

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Federal Lease # SF-078115

Owned by Southland Royalty Company

SRC -.6264 Working Interests:

Tenneco - .1868 Conoco - .1868

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Attn: Mr. Millard F. Carr

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L. O. Van Ryan

District Production Manager

LOVR/dg

Attachments

Charles Shake

P.O. DRAWER 570 (505) 325-1841 FARMINGTON, NEW MEXICO 87401

January 25, 1979

United States Geological Survey P. O. Box 959 Farmington, New Mexico

Attention: Mr. P. T. McGrath

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LOVR/dg

CC: Marlin Thompson SRC-Ft. Worth

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United States Department of the Interior

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JAN 17 1979

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GENE F. DANIEL

Asst. Oil and Gas Supervisor, SRMA

Grewier #23

RECEIVED

JAN 2 5 1979

FARMINGTON DISTRICT



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August 28, 1978

Mr. Saul Yager 2505 East 36th Place Tulsa, Oklahoma 74105

Re: Grenier #23 Dakota Gas Well

Township 31 North - Range 11 West, NMPM

Section 31: W/2

San Juan County, New Mexico

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El Paso Texas 79978

(915) 543-3989

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Judy Yakobson

JY:DR

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Re: Communitization Agreement Grenier #23 T31N, R11W, NMPM

Sec. 31, Lots 1, 2, 3 & 4, E/2, W/2 (W/2)

San Juan County, New Mexico

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JY:DR

July 19, 1978

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Enclosure

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Township 31 North - Range 11 West, N.M.P.M.
Section 31: W/2
San Juan County, New Mexico

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JUDY YAKOBSON

Enclosure

July 13, 1978

TO: All Royalty & Overriding Royalty Interest Owners

RE: Grenier #23 Dakota Gas Well
Township 31 North - Range 11 West, N.M.P.M.
Section 31, Lots 1, 2, 3, 4, E/2, W/2, (W/2)
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If you have any questions, please call me.

Very truly yours,

JUDY YAKOBSON

Enclosures

- CASE 6515: Application of Southland Royalty Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 31, Township 31 North, Range 11 West, San Juan County, New Mexico, to be dedicated to its Grenier Well No. 23 drilled at a location 1190 feet from the South and West lines of said Section 31. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be to designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6516: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico.

 Applicant, in the above-styled cause, seeks approval for its Maduro Unit Area, comprising 2,560 acres, more or less, of Federal and State lands in Township 19 South, Range 33 East, Lea County, New Mexico.
- CASE 6452: (Continued and Readvertised)

37

Application of Burleson & Huff for a non-standard gas proration unit and approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the SW/4 of Section 25, Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico. Applicant further seeks a finding that the recompletion of its Harrison Well No. 2 located in Unit N or in the alternative, the drilling of its Harrison Well No. 4 in Unit L, of Section 25 is necessary to effectively and efficiently drain that portion of the previously approved 160-acre proration unit which cannot be drained by the old unit well.

Southland Royalty Co.
Compulsory Pooling
Lot 4 5W/4 SW/4
Section 31, 7 3/N, R//W
San Juan County
41.52 acres
Trevier # 23 1/90/5 4
1/90/W
blakota formation

Called in by Bill Carr
3/9/29

:

dr/

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO.		والمرابع والمتعارض والمتعارض والمتعارض والمتعارض والمتعارض والمتعارض والمتعارض والمتعارض والمتعارض والمتعارض والمتعارض
Order No.	R- 597	5

APPLICATION OF SOUTHLAND ROYALTY COMPANY FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO.

Su

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 28

19 79, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this day of , 19 79, the Division

Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Southland Royalty Company, seeks an order pooling all mineral interests in the Dakota mineral interests in the Dakota formation underlying the W/2

 of Section 31, Township 31 North, Range 11 West

 NMPM, Basin Da Kova Pool, San Juan County, New Mexico.

- (3) That the applicant has the right to drill and proposes at a location 1190 feet from the South line to drill a well / and 1190 feet from the West line of said Section 31.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.
- that any non-consenting working interest owner should be afforded the opportunity to pay his share of astimated well costs to the herator in lieu of paying his share of reasonable well costs out of production.
- (8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his snare of the reasonable well costs plus an additional thereof as a reasonable charge for the risk involved in the drilling of the well.
- afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

Case No.

Order No. Rper month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each hon-consenting working interest, and in addition thereto, the operator should be authorized to with old from production the proportionate shade of Actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest. (7)(1.2) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership. (8)(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before July / 1979, the order

pooling said unit should become null and void and of no effect

IT IS THEREFORE ORDERED:

whatsoever.

(1) That all mineral interests, whatever they may be,
in the Dakota formation underlying the W/2
of Section 31 , Township 31 North , Range 11 West
NMPM, Besin - Dolsota Pool San Juan County, New Mexico
are hereby pooled to form a standard 325, 2-acre gas spacing
and proration unit to be dedicated to a well to be drilled 1190 feet from the South line and 1190 feet from the West line of said Section 31.
PROVIDED HOWEVER, that the operator of said unit shall
commence the drilling of said well on or before the /s / day of
July , 1979, and shall thereafter continue the drilling
of said well with due diligence to a depth sufficient to test the
Dakota formation;
PROVIDED FURTHER, that in the event said operator does not
commence the drilling of said well on or before the _/st day of
July , 1979 , Order (1) of this order shall be null

a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

- (2) That Southland Royalty Company is hereby designated the operator of the subject well and unit.
- (3) That after the effective date of this order and within 30 days prior to commencing said well, the operator chall furnish the Division and each known working interest owner in the subject unit an Memized schedule of estimated well costs.
- (4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.
- (6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

Case No. Order No. R-

phove shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

- (7) That the operator is hereby authorized to withhold the following costs and charges from production:
 - (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
 - (B) As a charge for the risk involved in the drilling of the well, _____ of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.
- charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-Case Order No.

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

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

(3) (12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in <u>San Juan</u> County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

MAR 1 5 1979

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF SOUTHLAND ROYALTY COMPANY FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO.

CASE 6515

APPLICATION

Comes now SOUTHLAND ROYALTY COMPANY by its undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Compilation, as amended, hereby makes application for an order pooling all of the mineral interests in and under the W/2 of Section 31, Township 31 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, and in support thereof would show the Commission:

- 1. Applicant is the owner of 62.63% of the working interest in and under the W/2 of said Section 31.
- 2. Applicant proposes to dedicate the above-referenced pooled unit to its Granier #23 well located 1190 feet from the South and West lines of said Section 31.
- 3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farm-out from certain other owners of mineral interest in the W/2 of said Section 31.
- 4. Said pooling of interest will avoid the drilling of unnecessary wells, will protect correlative rights and prevent waste.
- 5. In order to permit applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated as the operator of the well.

WHEREFORE, applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law the Division enter its order pooling the lands, together with the provision for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and a risk factor for the risk assumed by applicant in drilling, completing and equipping the well, and such other and further provisions as may be proper in the premises.

Respectfully submitted CAMPBELL AND BLACK, P.A.

Post Office Box 2208

Santa Fe, New Mexico 8: Attorneys for Applicant

MAR 1 5 1979

Cil Conservation

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF SOUTHLAND ROYALTY COMPANY FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO.

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Respectfully submitted CAMPBELL AND BLACK, P.A.

Villiam F. Carr

Post Office Box 2208

Santa Fe, New Mexico 87501 Attorneys for Applicant