

BEFORE THE  
OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

CASE 596:

In the matter of the application of El Paso Natural Gas Company for compulsory unitization of the E/2 of Section 32, Township 30 North, Range 8 West, San Juan County, New Mexico; or, in the alternative, for approval of an unorthodox drilling unit of 280 acres, more or less, in the E/2 of said Section 32, Township 30 North, Range 8 West.

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TRANSCRIPT OF HEARING

October 15th, 1953

BEFORE: Honorable Ed. L. Mechem, Governor  
Honorable E. S. Walker, Land Commissioner  
Honorable R. R. Spurrier, Director, OCC

STATE OF NEW MEXICO     )  
                                  ) ss  
COUNTY OF BERNALILLO    )

I HEREBY CERTIFY THAT the within transcript of proceedings before the Oil Conservation Commission is a true record of the same to the best of my knowledge, skill and ability.

DONE at Santa Fe, N.M., this 17th day of October, 1953.

*Maryrie C. Allan*  
Reporter

SWORN TO before me this 17th day of October, 1953.

*Moore*  
Notary Public

My Commission Expires:

My Commission Expires January, 24, 1954

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COM. SPURRIER: Let us move on to Case 596.

BEN HOWELL: My name is Ben Howell and I represent the El Paso Natural Gas Company. Roland Hamblin and Foster Morrell are also here. Will they have to be sworn again?

COM. SPURRIER: We will remind them that they have been sworn.

MR. HOWELL: Will you please take the stand, Mr. Hamblin?

R. L. HAMBLIN

having previously been sworn, testified as follows:

DIRECT EXAMINATION

BY MR. HOWELL:

Q Will you state your name for the record and also whether or not you are connected with the El Paso Natural Gas Company?

A Roland Hamblin and I am connected with the El Paso Natural Gas Company.

Q Are you the Manager of the Lease Department?

A Yes, I am the Manager of the Lease Department.

Q Are you familiar with lease ownership in the E/2 of Section 32, Township 30 North, Range 8 West in San Juan County?

A Yes, I am.

Q Will you state briefly what is the ownership of the oil and gas lease interest in that half section?

A El Paso Natural Gas Company is the owner of 160 acres, being the NE/4 of Section 32. Skelly Oil Company is the owner of 80 acres and Gordon Rohles is the owner of 40 acres.

Q Now how much has been committed to the communitization agreement?

A There are 280 acres in the communitization agreement.

Q Has it been filed?

A That is on file with the Commissioner of Public Land.

Q And what is the 40 acres that is not included in this Agreement?

A State of New Mexico lease E-2869, which is the SW/4 of the SE/4 of Section 32 NW.

Q Who is apparent owner of that oil and gas lease?

A Gordon Rohles.

Q Will you please state to the Commission briefly the efforts that you have made to obtain Mr. Rohles' consent to join in the communitization in drilling a well or in the buying of his leasehold interest?

A On June 3rd, 1953, we wrote Mr. Gordon Rohles and asked him for information as to his lease, but did not receive a reply. We wrote him another letter dated July 10th. Before that time, after we had obtained his ownership, I went back to Elgin, Illinois and contacted his Mother, in connection with an offer to buy this acreage or

invite them to join with us in the drilling of a well. He was not present.

Q About what time was that?

A That was approximately the third day of July, 1953. On July 10th, having received no definite answer, we wrote Mr. Gordon Rohles a registered letter offering him fifty dollars an acre for his forty acres or asking him to join with us in drilling a well. He refused in a letter of July 17th and he asked \$100 an acre for his acreage. We had further additional correspondence - a letter to Mr. Rohles dated July 27th stated the fact that we could not pay the \$100. per acre that he asked and a letter dated August 1st from Mr. Rohles advising us he was still holding out for \$100. an acre.

Q Have you, in the last day or so, received any further communication from Mr. Rohles?

A Yes, sir, we did receive just recently a letter dated October 9th, 1953 which was received on October 13th which we believe to be a conditional acceptance of one of our offers contained in our letters, in which he did agree to join with us in the drilling of this well.

Q Will you read that letter?

A Mr. R. L. Hamblin  
El Paso Natural Gas Co.  
Tenth Floor, Bassett Tower  
El Paso, Texas

Re: State of New Mexico  
Lease E - 2869  
SW/4 SE/4 Sec. 32-30N-8W

Gentlemen:

After giving the matter considerable thought, I have decided to accept the offer outlined to me in your letter of August 27th, outlining to me as and if I pool my acreage with you on this well, you agree to take my share of the well costs out of 75% of my share of the production until such well costs were paid, and after that I would receive one-eighth of the profit.

You also agreed to handle the probate of my deceased father's estate in the State of New Mexico.

I appreciate your advice in the matter and the time which you have granted me to consider your proposal.

Yours very truly,

GORDON ROHLES

"

Q (Mr. Howell) Is that clear in your mind as to what terms are acceptable to him?

A That is due to the definition or his use of "1/8th of net profits" and also the cost of probating his deceased father's estate.

Q So that matter has not been settled?

A No, it has not been settled in detail.

Q Are you willing to negotiate, if it is possible to do so, an agreement upon terms whereby the Company would advance his share of the cost provided we can make a recovery out of the net profits?

A We are acceptable to negotiating with Mr. Rohles and we did advise him by letter of October 15th that we are acceptable to this and sent him a communitization agreement and we have attempted

to explain more fully and settle the question of one-eighth of net profits and the matter of probating his father's estate.

Q (MR. WHITE:) Mr. Hamblin, is the well already drilled?

A The well is completed. It is a commercial well with a potential of 7,600 -

Q When does Mr. Rohles' lease expire?

A It did expire August 11th, 1959.

Q And he did make an offer in which he is willing to sell you his lease for \$100.00 an acre?

A That is correct. He said he would sell his lease at \$100.00 an acre plus a 5% override.

Q (By Mr. Howell) Would you be willing to accept that offer and buy that lease?

A No.

Q (By Mr. White) Was that well in when he made that offer?

A No, it was not. We made an offer and he said he would hold out for \$100.00 per acre prior to the completion date of the well.

COM. SPURRIER: Does anyone else have a question for this witness? If not, the witness may be excused.

(Witness excused.)

FOSTER MORRELL

having previously been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. HOWELL:

Q Will you please state your name for the record?

A Foster Morrell.

Q Have you testified before the Commission before?

A Yes, sir.

Q You have heard the testimony of Mr. Hamblin with reference to this 320 acre tract?

A Yes.

Q Does that lie within the area the Commission has determined, that for the conservation of natural resources, required 320 acres spacing from Mesa Verde?

A The well is located in that area.

Q Is communitization of that 120 acres necessary to permit the owner of each tract to recover his just and equitable share of the gas underlying the 320 acres?

A The communitization, in my opinion, would be necessary for that purpose.

COM. SPURRIER: Does anyone have a question of this witness? If not, the witness may be excused.

(Witness excused.)

MR. HOWELL: I would suggest that this matter be taken under advisement. We are continuing negotiations and if we can reach an agreement, we will notify you promptly.

COM. SPURRIER: The case will be taken under advisement.

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