

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 28, 1959

EXAMINER HEARING

IN THE MATTER OF:)

Application of Texaco Inc., for an order force)
pooling the interests in a 241-acre non-)
standard gas proration unit in the Eumont Gas)
Pool. Applicant, in the above-styled cause,)
holder of a 241-acre non-standard gas proration)
unit in the Eumont Gas Pool consisting of the)
NE/4 of Section 5, Township 20 South, Range 37)
East, and the S/2 SE/4 of Section 32, Township)
19 South, Range 37 East, all in Lea County,)
New Mexico, seeks an order force-pooling all of)
the interests in said unit within the vertical)
limits of the Eumont Gas Pool, including inter-)
ests of the following persons who have not con-)
sented to communitization: Kenneth F. Duncan;)
Walter L. Gockley; Eudeana B. Newcomb; Roy H.)
Nicolai, Administrator of Hal M. Nicolai)
Estate; Mrs. Frances L. Kramer; J. L. Reed;)
Estate of Dr. Ralph Sullivan, Edward A. Golden,)
Administrator; G. T. Hanners.)

Case 1801

BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. PAYNE: Application of Texaco Inc., for an order
force pooling the interests in a 241-acre non-standard gas pro-
ration unit in the Eumont Gas Pool.

MR. WHITE: If the Commission please, Charles White of
Gilbert, White and Gilbert, appearing on behalf of the Applicant,
Texaco Inc. We have three witnesses to be sworn at this time.

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MR. NUTTER: Let's recess the hearing for a few minutes.

(Whereupon a short recess was taken.)

(Marked Applicant's Exhibits
1 through 5, for identifica-
tion.)

MR. NUTTER: The hearing will come to order. Will you
proceed, Mr. White?

MR. WHITE: If the Examiner please, we have three wit-
nesses to be sworn, Mr. Wade, Mr. Hoover and Mr. Hellman.

(Witnesses sworn.)

H. N. WADE

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

DIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Wade, will you state your full name for the record,
please?

A H. N. Wade.

Q By whom are you employed and in what capacity?

A I'm employed by Texaco, Inc., as Division Proration
Engineer.

Q Mr. Wade, are you familiar with the subject application?

A Yes, sir, I am.

Q Have you previously testified before the Commission?

A Yes, sir.



MR. WHITE: Are his qualifications acceptable?

MR. NUTTER: Yes, sir, please proceed, Mr. White.

Q Will you briefly state the purpose of the application?

A The purpose of this application is to force pool some royalty interests which have decided not to participate, or which have not responded to our request that they participate in a non-standard proration unit to be assigned to Texaco J. W. Cooper Well No. 5.

Q Will you refer to what has been marked as Exhibit No. 1 and explain it to the Commission?

A Exhibit No. 1 is an ownership map which has superimposed on it a structure map just for the information of Examiner. It also has shown the various offset gas proration units in the Eumont Gas Pool. These are outlined in green hatched in brown. It also shows the 241-acre non-standard proration unit which has been approved by the Commission to be assigned to Texaco's J. W. M. Cooper Well No. 5 in the Eumont Pool.

The contour interval on the structure map is 50 feet, the scale of this plat is one inch equals 2,000 feet. The Texaco well in question here is circled in red, all other Eumont gas wells, or offsetting Eumont gas wells are circled in black.

Q Was this exhibit prepared by you or under your direction and supervision?

A Yes, sir, it was.



Q Mr. Wade, will you in general briefly discuss the Commission's approval of this particular non-standard gas proration unit with reference to Case No. 1593?

A Yes, sir, in Case 1593 the Texaco requested a non-standard proration unit to include its J. W. Cooper Lease consisting of the Northeast Quarter of Section 5, Township 20 South, Range 37 East, and Gulf Oil Corporation's Love Lease consisting of the South Half, Southeast Quarter, Section 32, Township 19 South, Range 37 East.

As a result of the hearing on that application the Commission issued Order No. R-1335 effective February 12, 1959. Since the issuance of that order was based on information presented at the hearing whereby Texaco's witnesses showed that the acreage was productive and would be efficiently drained by the well in question, we do not plan to go into that portion of the, or into that subject at this hearing.

MR. WHITE: We would, however, like to have the Examiner take administrative notice of the fact this acreage is productive in view of Order 1335.

MR. NUTTER: Would you like to incorporate the ~~order~~ record in this case?

MR. WHITE: I think we would.

MR. NUTTER: Without objection the record in Case 1593 will be incorporated in Case 1801 then.

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Q Continue.

A I believe that's all I had to discuss about the non-standard proration, Mr. White.

Q Has the assigned allowable been requested as authorized by Order R-1335, and if not, why not?

A No, sir, we have not requested the allowable, primarily because we have not received the royalty interest approval. Without this royalty interest approval an increase in gas allowable for the well, which according to the Order R-1335 could have been attained at any time by Texaco, such an increase would have required Texaco to pay double royalties in some instances to its royalty interest owners. For that reason we felt that it would not be to our best interest to request the increased allowable.

Q Do you have reason to believe that the well is capable of producing the assigned allowable as to the full dedicated acreage?

A Yes, sir, I think the well has demonstrated that quite well. Harking back a little bit to the testimony given in the previous case on this previous hearing concerning this well and bringing the information up to date, at that time it was testified that the open flow potential taken in June of 1956 showed a potential of 5,280 MCF per day. At that time we had a shutin tubing pressure of 985 PSI. On August 8, 1957 the well had a shutin tubing pressure of 959, on August 25, 1958 its tubing

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pressure was 940. On October 8, 1959 of this, rather of this year, we had a shutin pressure of 925. Thus the tubing pressure has, shutin tubing pressure has decreased very little and just from this information alone I would conclude that the well was more than capable of producing the allowable which would be assigned it in the expanded unit. That allowable, as I calculate it, using the October allocation, would be 14,690 MCF per month. Besides this estimation or deduction that you can make from the open flow potential and the tubing pressure information during the months of, or rather during the month of February, 1959, the well produced 24,765 MCF, again demonstrating the fact that the well is more than capable of producing any allowable assigned it under the expanded unit.

In March of this year it also produced 14,000,303 MCF, which again is almost as much as the allowable which would be assigned. I think that there's no question that the well can produce the allowable assigned it.

Q Do you have anything as to the line pressure history?

A The line pressure during September of 1958 was 375 PSI, during March, '59, 482, during September, '59, 433. This information is significant only in that it indicates a low line pressure which would not be significant in reducing the ability of the well to enter the line.

Q Do you presently have underproduction on this well?



A As of September 1, 1959 the well showed a cumulative underproduction of 15,956 MCF. This information was taken from the schedule.

Q Do you have any reason to believe that this underproduction will be balanced out in the reasonably near future?

A Yes, sir. We have obtained from Permian Basin Pipeline Company, the purchaser of this gas, a letter which outlines the situation concerning this well.

Q Has that been identified as Exhibit 2?

A Yes, sir, it has. For the record I think it might be well for me to read that information at this time. The letterhead is Permian Basin Pipeline Company, 2223 Dodge Street, Omaha 1, Nebraska, dated October 23, 1959. It is addressed to Texas, Inc. in Midland, Texas, to the attention of Mr. Bob Shoemaker, who is the gas contracts man for Texaco in that office. "Gentlemen: This is to advise that Permian Basin Pipeline Company, as purchasers of the gas production from the referenced well, will, by December 1, 1959 have the gas production from this well unit in balance. Yours very truly, James B. Coyle, Gas Purchases Division." The reference to which he referred in the letter is entitled "Texaco, Inc., Cooper No. 5 Well, Unit, Eumont Pool."

MR. WHITE: We offer Texaco's Exhibits 1 and 2 at this time.

MR. NUTTER: They will be admitted.

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Q In your opinion will this well be a given ~~affair~~ and just ~~right to produce its acreage should be~~ be?

A No, sir, not without drilling an unnecessary well or taking what I consider the unnecessary risk of opening an existing well to Eumont production on their 80 acre lease.

Q Would all the correlative rights in this unit be protected by the agreement?

A Yes, sir, they will.

MR. WHITE: That's all the questions we have on direct.

MR. NUTTER: Any questions?

CROSS EXAMINATION

BY MR. PAYNE:

Q I take it you are willing to have the order made effective as of December 1st?

A Yes, sir, that is that would be our request.

Q When the well is in balance?

A Yes.

Q Was Order 1335 contingent upon voluntary communitization of the 120-acre tract?

MR. WHITE: Only as to working interest.

A Working interest only, Mr. Payne.

Q Well, in that regard then the working interest has been communitized voluntarily, is that right?

A Yes, sir, that's correct.



Q Would you explain to me again why you prefer to go ahead and force pool this as to the royalties?

A Yes, sir, if the royalty owners under the Texaco Lease are not participating, then any increase in gas production from that well must be paid to those non-participating royalty owners in the percentage that their interest bears to the total royalty interest in the 1660 that we have and not in the proportion that their interest bears to the 241-acre tract.

MR. NUTTER: At this time you would have to pay the royalty owners under --

A That's correct. It amounts to double royalty payments.

MR. NUTTER: Any further questions of Mr. Wade? He may be excused.

(Witness excused.)

MR. WHITE: The next witness will be Mr. Hoover.

JOHN H. HOOVER

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

DIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Hoover, will you state your full name for the record?

A John H. Hoover.

Q By whom are you employed, Mr. Hoover?



A Employed by Gulf Oil Corporation as Petroleum Engineer.

Q Mr. Hoover, are you acquainted with the gas pooling agreement?

A Yes, sir, I am.

Q Have you worked in trying to get all the various interests signed up under this agreement?

A Yes, sir.

Q Will you refer to what's been marked as Exhibit 3, which is entitled "Gas Pooling Agreement", and I'll ask you whether or not that is a true and correct copy of the original agreement.

A Yes, sir, it is.

Q How many different royalty interests are there involved in Gulf's 80-acre tract?

A Of course Gulf has 7/8ths interest, and of the remaining 1/8th interest it is divided among thirty-two different people.

Q Of this, how many have you actually contacted?

A We contacted all thirty-two by certified mail. In this we sent them a copy of the letter, a form letter addressed to each one of them explaining the purpose of proration, how it works, how they will be affected, and attached to the letter was two copies of a consent and ratification to the gas pooling agreement which we requested that if they approved to execute one copy and return. We also attached on each distribution a copy

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~~of the gas pooling agreement for their information and file.~~

On this certified mail we requested a return receipt, which upon being received, material being received by the person to whom it's addressed, they signed that they received it, the return receipt is returned to the sender, being Gulf, and in this case we received the return receipt from all thirty-two.

Q How many signed the agreement?

A We had twenty-eight which signed the consent and ratification. The remaining four elected not to answer our correspondence. We had no disapproval or approval from them either one.

Q Now, you have been referring to certain correspondence. Is that correspondence that which has been marked as Exhibit 4?

A Yes, sir, that is the form letter with the consent and ratification attached.

Q And you received return receipts from all?

A From all thirty-two, yes, sir.

Q You have had no reply from the four who have failed to sign up?

A No reply at all.

Q What percent of the working interest and royalty interests are committed at the present time?

A Approximately 98½% have approved.

Q Another way of stating it would be that all but 1½% have approved?

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A Yes, sir.

Q Have any of these interests that have not signed up affirmatively, objected?

A No, sir.

Q In your opinion would the royalties of any interested parties be impaired by the granting of this application?

A No, sir, they would not.

MR. WHITE: We move for the admission of Exhibits 3 and 4 at this time.

MR. NUTTER: Texaco's Exhibits 3 and 4 will be entered.

MR. WHITE: That's all the testimony we have on direct examination.

MR. NUTTER: Does anyone have any questions of Mr. Hoover?

CROSS EXAMINATION

BY MR. NUTTER:

Q You indicated that twenty-eight of the thirty-two people had signed the agreement. Do you have any evidence that the agreement was delivered to the other four?

A Yes, sir. We don't have copies of these made.

Q No, sir, did you get evidence that the letters were delivered to the people?

A Yes, sir. I will show this to the Examiner. According to the application we had Mrs. Frances L. Kramer, J. L. Reed,



the Estate of Dr. Ralph Sullivan, Edward A. Golden, Administrator and G. T. Hanners. We have receipt No. 129915 addressed to Mrs. Frances L. Kramer with a return receipt signed by Frances L. Kramer. We have receipt No. 129922 with a receipt signed by J. L. Reed, the agent W. T. Reed. Receipt No., Estate of Dr. Ralph L. Sullivan, receipt 129926. It is shown signed by Ralph L. Sullivan. Edwin A. Golden, Administrator. And the last one, G. T. Hanners, was receipt 129934, and that is signed by Mr. Hanners. That is the four, four royalty that did not answer our correspondence.

Q All four of those parties were named in the application, were they not?

A Yes, sir, they were.

MR. NUTTER: Does anyone else have any further questions of Mr. Hoover? He may be excused.

(Witness excused.)

B. E. HELLMAN

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

DIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Hellman, will you state your full name, please?

A B. E. Hellman.

Q And you are employed by the Texaco, Inc.?



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A Yes.

Q In what department and in what capacity?

A In the Land Department in the capacity of contract man.

Q Are you an attorney? A Yes.

Q Licensed in the State of Texas?

A Yes.

Q Mr. Hellman, have you had any association or have you worked in connection with this proposed agreement?

A I have.

Q What part did you play in regard to obtaining the execution of the agreement?

A I contacted the royalty owners and the working interest owners in connection with the execution and ratification of the agreements.

Q How many different royalty interests are there in Texaco's --

A Forty-four.

Q Forty-four you say? A Yes.

Q Of these how many have actually been contacted?

A All forty-four.

Q How many signed up? Or I'll say how many did not sign up?

A Three.

Q I'll ask you this, in reference to those who signed up,



did Mr. G. T. Hanners sign up?

A He did.

Q It was brought out by Mr. Hoover's testimony that he was one of the unsigned royalty interests insofar as the Gulf acreage is concerned. But he was also a royalty owner as to the Texaco interests?

A That's correct.

Q And he did sign up as to Texaco?

A That's correct.

Q Will you state in general the correspondence that you have had with these unsigned royalty owners?

A A total of four letters were directed to these parties. The first dated March 16, 1959 discussed the full facts on the distribution of the unit and contained a copy of the gas pooling agreement and the ratification agreement with the request for the execution and approval of the ratification.

Q Were these all sent by registered mail and return receipt?

A Only the last two letters were sent registered.

Q All right.

A The second letter dated April 15, 1959 made reference to the previous letter and its enclosures and requested execution as soon as possible. The third letter dated June 10th, 1959 was registered, made reference to previous letter of March 16

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containing the agreements and the information and solicited questions to the letter or advice if it or its contents not received. Also requested prompt consideration and approval of the ratification and its return.

The fourth letter registered was dated July 16, 1959, made reference to previous letters, requested cooperation, comments and execution of the ratification agreement and stated that if communication was not received we would presume that they did not desire to execute or comment, and after which we would consider forced pooling remedies.

Q Is your testimony in regard to the correspondence that which has been collectively marked Exhibit 5?

A It is.

Q What percent of the working interest and royalty interest have so far signed up on the agreement?

A 98.7% of the royalty owners have signed.

Q That would be what percent that are unsigned?

A 1.93% remaining unsigned.

Q Have you received any objections to the agreement from any of the three unsigned working interests?

A We have received in the matter of objections only one comment from one of the royalty owners who stated that she saw no personal benefit to signing the agreement.

MR. WHITE: I believe that's all we have on direct.

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We would like to move the admission of Exhibit 5 at this time.

MR. NUTTER: Without objection Texaco's Exhibit No. 5 will be admitted in evidence. The whole sheaf is the Exhibit 5?

MR. WHITE: Yes.

MR. NUTTER: Does anyone have any questions from Mr. Hellman?

CROSS EXAMINATION

BY MR. PAYNE:

Q Do you believe it's necessary to force pool overriding royalty, Mr. Hellman?

A We have no overriding royalties here.

Q I know, I'm just wondering.

A Do I believe it's necessary?

Q Yes, sir.

A If we did have them and they were located under the well I'd certainly recommend it.

Q If they were located under the well on the tract under which the well was located?

A Right.

MR. PAYNE: Thank you.

BY MR. NUTTER:

Q I note that the application mentions four royalty owners on Texaco property, and you said that three failed to sign. Has the fourth one subsequently signed?



A That's Kenneth Duncan.

MR. WHITE: Is that the Dan Glade Estate?

A There was also some signed on the Gulf list there that may be on the application.

Q You stated that of the three others, the three remaining, that one had replied that she didn't see any personal benefit to her signing the ratification?

A Right.

Q Which of these three remaining parties is that?

A That is Eudeana B. Newcomb.

Q If she made a comment, you are pretty sure she got the notice?

A That's correct.

Q Are you sure that they received the letters?

A The last two letters were registered and made reference to previous letters and their contents, and we have the registered receipts from all of the owners on the first registered letter and registered receipts from all the owners on the last letter with the exception of one who was returned, it was sent to the same address as the registered letter, but we determined a new address that was current and sent an unregistered letter with the same comments as was in the last registered letter to the other owners and sent it to that owner.

MR. WHITE: Was it returned unclaimed?

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A No, it was never returned.

MR. NUTTER: Does anyone have any further questions?

He may be excused.

(Witness excused.)

MR. WHITE: That concludes the presentation of our case.

MR. NUTTER: You have nothing further?

MR. WHITE: Nothing further.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 1801? We will take this case under advisement and take Case No. 1802.

STATE OF NEW MEXICO)
: ss
COUNTY OF BERNALILLO)

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

IN WITNESS WHEREOF I have affixed my hand and notarial seal this day of November, 1959.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1963. I do hereby certify that the foregoing is a complete record of the proceedings in the Examining hearing of Case No. 1801 heard by me on 10/28, 1959.

William, Examiner
New Mexico Oil Conservation Commission



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