

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 20, 1961

EXAMINER HEARING

CASE 2380

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A J. B. Ladd.

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

A Consolidated Oil & Gas, Inc. as executive vice-president.

Q Mr. Ladd, in your capacity as executive vice-president, have you had any contact with the background and information concerned in Case 2380?

A Yes, sir. I am intimately familiar with it.

Q Did you handle the negotiations in regard to the subject matter of this case?

A Yes, sir.

MR. KELLAHIN: We would like to have this marked as Exhibit No. 1 and, if the Examiner please, this exhibit is identical to the exhibit attached to the application with the exception of the designation of the well, which we will cover, and, therefore, we have only one copy.

Q Now, you are referring to what has been marked as Exhibit No. 1, Mr. Ladd. Would you discuss the situation in regard to the leases in that area?

A This exhibit depicts a portion of Township 31 North, Range 13 West, San Juan County, New Mexico, an area in which Consolidated has been quite active in developing gas production from both the Blanco Mesaverde and Basin Dakota Gas Pools. We have reflected

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several dual completions in that area as well as single completions in either of those zones.

Q How is the lease ownership depicted on the exhibit?

A Consolidated acreage is depicted by the yellow designation; the Texas Natural Petroleum Company has acreage which is of interest in this case as shown by the blue indications representing the S/2 of the SE/4 of Section 9 and the S/2 of the SW/4 of Section 10.

Q And the proposed unit is shown in an orange color, is that correct?

A That's correct.

Q On the exhibit which was filed, the designation of the well was given as the Segal Well No. 1-9. Is that a correct designation?

A No, the correct designation of that well would be the Wilmerding No. 1-9.

Q The orange-colored acreage, does that constitute one lease?

A No, that constitutes at least two leases.

Q Why do you say "at least two" leases?

A I don't recall.

Q Actually it constitutes three leases as shown by the application, does it not?

A I believe it would be four leases: Tract No. 3, three leases, Tract No. 2 -- both of them being indicated by the plat as covered by one lease.



Q Have these leases been communitized for production?

A No, they have not. We stand ready to do that immediately upon approval of that non-standard unit.

Q Have you made any efforts to form a standard unit, Mr. Ladd?

A Yes, we have quite diligently pursued this with Texas National, who would be the other working interest participant in both the W/2 of Section 10 and the E/2 of Section 9, where we have proposed to drill dual Mesaverde-Dakota development oils. Texas National has denied any interest in participating directly as a working interest participant. Their acreage is burdened quite extensively, we believe, in that it carries a 17-1/2% overriding royalty in addition to 12-1/2% land owners' royalty. This overriding royalty interest reverts to a working interest participation after recovery by the lessee of any drilling, completion and operating costs, which we consider to be a further negative burden. We have attempted to secure a farm-out of this acreage, but have been unable to agree to any terms that we consider reasonable. Basically, they want at least a five percent override royalty interest reserve to Texas National in addition to the 17-1/2% previously reserved by others, which would have the net effect of allowing the operator only 65% of total production. We have attempted to purchase the acreage outright and assume Texas National's position as lessee. We have been unsuccessful in effecting any reasonable negotiation here. In fact, the acreage has

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been offered to us only as a part of a larger package of acreage which they wish to dispose of as a group. Specifically, they offered the acreage to us for something on the order of \$100 an acre with additional overriding royalty burdens on it. We considered this to be uneconomic.

Q In the event this application is approved, do you stand ready and willing to communitize with Texas National in regard to the southern portion of the lands involved?

A Yes, sir, we would be ready to develop that land at a month's notice.

Q Then, no land in the area would be left without a unit in which a well could be dedicated?

A No, as shown by the plat, Consolidated controls the N/2 of the SW/4 of Section 10 and the N/2 of the SW/4 of Section 9. That acreage is held by production, insofar as Consolidated is concerned.

Q Are the wells located in this area completed in more than one zone?

A We failed to indicate the zones on this exhibit. I could point out that both wells in Section 2 are Mesaverde wells; the well in the W/2 of Section 3 is a dual well.

Q In what zones?

A The Dakota-Mesaverde. One well in the NE/4 of Section 3 is a Mesaverde well, the other is a Dakota. The well in the N/2 of 11, the E/2 of 10, the W/2 of 15, are dual Mesaverde-Dakota

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producers. The wells in the W/2 of 9 and E/2 of 22 are Dakota single zone producers. We propose to drill at the indicated well site, which would be in line with the normal geometric development pattern for both reservoirs.

Q And you would dedicate the unit to production from both reservoirs if this is approved?

A Yes, sir.

Q Do you have any lease expirations confronting you in regard to this unit?

A Yes, we do. Tract No. 1, which consists of 120 acres, as outlined on the exhibit in our proposed unorthodox unit, or non-standard unit, would expire so far as any rights to Consolidated, in about 30 days. We had a 90-day development clause with Pan American.

MR. NUTTER: Is that in addition to the 30 days, or the 30 days is the final?

A Thirty days now would see the expiration of the 90-day period.

MR. NUTTER: That is the tailend of the 90-day period?

A Yes.

Q (By Mr. Kellahin) Is the other acreage held by production?

A Yes.

Q Was Exhibit No. 1 prepared by you, or under your supervision?

A Yes.



MR. KELLAHIN: I would like at this time to offer in evidence Exhibit No. 1.

MR. NUTTER: Applicant's Exhibit No. 1 will be admitted in evidence.

Q (By Mr. Kellahin) Do you have anything to add to your testimony?

A I would like to point out that we have informed Texas National of this action in attempting to form a non-standard unit. Verbally they voiced no objection. They also indicated that their acreage has some three years to run, so we wish to point out that if this non-standard unit were not approved there could be a considerable period of time before either the E/2 of 9 or W/2 of 10 could be developed. That is all I have to offer.

MR. KELLAHIN: That is all the questions we have, Mr. Nutter.

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

CROSS EXAMINATION

BY MR. NUTTER:

Q I missed the formations that some of these wells are completed in. The two wells in the E/2 of Section 3 are single completions in the Mesaverde and Dakota, correct?

A Yes, one in each. Let me point out that the southernmost well you see in the NE/4 is a well in which we have just set casing and are now physically completing as a Dakota well.

Q And the well in the SW of 3 is a dual?

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A Correct.

Q The well in the S/W of 9?

A Single in the Dakota.

Q And the well in the E/2 of 10 is a dual, and the well in the S/2 of 15 is a dual?

A Correct.

Q And Consolidated would be willing to communitize the SW/2 of 10 and the SE of 9 to form a companion non-standard unit in the event that it is feasible with Texas National?

A Yes, sir. The documentations are already completed.

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

MR. KELLAHIN: That is all I have.

MR. NUTTER: Does anyone have anything they wish to offer in Case No. 2380? Take the case under advisement.

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STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO) SS

I, JUNE PAIGE, 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 30th day of September, 1961.

June Paige

Notary Public - Court Reporter

My commission expires:
May 11, 1964.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2380, heard by me on 9/20, 1961.

Asst. Ex.
_____, Examiner
New Mexico Oil Conservation Commission

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IDENTIFIED

ADMITTED

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