

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
December 12, 1961

EXAMINER HEARING

IN THE MATTER OF:)

Application of Southwest Production)
Company for an order pooling all)
mineral interests in the Basin-Dakota)
Gas Pool in the E/2 of Section 7,)
Township 30 North, Range 11 West, San)
Juan County, New Mexico. Interested)
parties include Harold Marion Brimhall)
and his wife, Maleta Y. Brimhall, both)
of Phoenix, Arizona.)

Case 2453

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 2453.

MR. MORRIS: Application of Southwest Production Company
for an order pooling all mineral interests in the Basin-Dakota
Gas Pool in the E/2 of Section 7, Township 30 North, Range 11
West, San Juan County, New Mexico.

MR. VERITY: George Verity for the Applicant.

(Witness sworn.)

MR. UTZ: Are there other appearances?

MR. VERITY: This is an application of Southwest
Production Company to set aside a non-standard unit which the,



proration unit which the Commission previously formed, consisting of all of the East half of Section 7, 30 North, 11 West, except the South half of the Southwest quarter and to force-pool that twenty acres with the balance of the East half of Section 7.

JACK D. JONES

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

DIRECT EXAMINATION

BY MR. VERITY:

Q Will you please state your name?

A Jack D. Jones.

Q Mr. Jones, what is your present occupation?

A I'm an independent land man.

Q Are you at the present time, and have you been over the past several months, doing land work for Southwest Production Company?

A Yes, I have.

Q In the San Juan Basin? A Yes.

Q Are you familiar with the land situation in the East half of Section 7, Township 30 North, Range 11 West?

A Yes.

Q Do you recall that the Commission has established a non-standard proration unit excepting the South half of the



Southwest quarter?

A Yes.

Q Does Southwest Production Company own the leases in the balance of the East half of 21?

A We either have all the leases or have entered into an operating agreement concerning the leases.

Q Have you drilled any Dakota wells on the East half of --

A Yes, we have.

Q Where is the well located?

A The well would be located in the North half of the, well, it would be the South half of the Northeast quarter.

Q Has it been completed as a Dakota producer?

A Yes, it has.

Q Do you know approximately when that completion took place?

A Oh, I imagine seven or eight months, or longer, ago.

Q Do you know who owns oil and gas leases on the South Half, Southwest, Southeast?

A That is unleased.

Q Who holds the minerals thereunder?

A Harold Marion and Maleta Brimhall.

Q Have you asked them to join this well or to lease to you?

A Several times.

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Q Have you found this possible to do on any reasonable basis?

A No.

(Whereupon, Southwest's Exhibit No. 1 was marked for identification.)

Q Directing your attention to Exhibit No. 1, will you please tell us what it is?

A It is a plat of the East half of Section 7, Township 30 North, Range 11 West.

Q Does it show the twenty acres in question that's owned by the Brimhalls?

A Yes, it does.

Q Are you familiar with the incidents of hazard in drilling and completing Dakota wells in the vicinity of the East half of 7?

A Yes, sir.

Q In your opinion is there a hazard in drilling and completing a well of this type?

A Yes, sir.

Q Could you estimate for us the incident or hazards in such an operation?

A It is my opinion that the minimum at least is twenty-five percent.



Q Are you further familiar with the approximate cost of overhead of drilling and maintaining a Dakota well in this area in relation to percentage of production?

A Yes, sir.

Q Will you state what that is, please?

A I believe the minimum allowable charged for that should be ten percent of the cost of drilling and completing the well.

Q Do you know whether or not Southwest Production Company is willing to comply with any requirements that the Commission might make if they force-pool this twenty acres in with the balance of the East half, particularly regarding reports concerning cost of drilling completion and operation?

A Yes. They have indicated that they would furnish such reports, and I have requested that they do so in the past instances.

Q Do you think that it will protect the correlative rights of the parties if the Commission establishes this as a standard 320-acre unit?

A Yes.

Q And force-pools this twenty acres with the balance?

A Yes.

MR. VERITY: I believe that's all we have.

MR. UTZ: Do you want to introduce your exhibit?



MR. VERITY: Thank you. We offer Exhibit 1 in evidence.

MR. UTZ: Without objection, Exhibit 1 will be entered into evidence. Any questions of the witness?

MR. MORRIS: Yes.

MR. UTZ: Mr. Morris.

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Jones, the ten percent that you have requested, now is that proposed as a charge for risk or a charge for supervision or charge for both?

A It's a charge for supervision.

Q For supervision? A Yes.

Q What percentage did you request as a charge for the risk?

A Twenty-five percent.

Q Twenty-five percent. In furnishing a schedule of the well costs to the Commission, would Southwest Production Company include in that schedule any charge for the supervision of drilling and completing the well, would that be part of the schedule of well costs?

A No.

Q Would that be excluded?

A That would be excluded.



Q Do you have the schedule of well costs available with you at this time?

A No, sir, I do not. I have requested that they send them to me, but I haven't received them yet.

Q Do you have any idea of what the approximate cost of this well was?

A No, sir.

Q Do you know whether any unusual expense was incurred in the drilling of this well?

A Not to my knowledge.

Q Do you know whether any unusual circumstances were encountered in the drilling of this well that would have borne out your testimony that risk was involved in the drilling of the well?

A I don't know if they had any serious trouble on this well or not. They have had troubles completing other wells and have had to recement and reperforate with the attendant risk of losing the well completely. Besides, I am of the opinion that any time you drill a well you are undertaking a risk which can be disproved only by completing the well and the mere fact that you complete it as a producer certainly hasn't changed the fact that you entertained that risk when you commenced the well.

Q Mr. Jones, were you the witness in the case that



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resulted in the establishment of a non-standard, I believe a 360-acre non-standard unit in this area?

A Yes, sir.

Q What circumstances have changed since the time that that was heard and that order entered that would justify your coming in now for an order asking for pooling?

A Well, at the time we were completely unable to get along with the Brimhalls, we wished to drill the well, and that's why we sought to exclude them. As you will remember, you requested at that time that we make further attempts to deal with the Brimhalls, which I have done. I have attempted, both directly with the Brimhalls and through their attorney, to conclude successfully either an operating agreement or a lease which would bring this twenty acres into the pool, and I have been completely and thoroughly unsuccessful in my attempts to do so.

Q You feel that your offers to them through their attorney have been fair and reasonable under the circumstances?

A Yes.

Q When the case was brought to establish the non-standard unit, had the unit well been drilled at that time?

A Truthfully I can not remember whether it had or not.

Q I think the records of the Commission will indicate one way or the other.



A Should indicate that.

Q Is there any reason why a force-pooling application could not have been brought at the time the application was brought for non-standard unit in the first instance?

A The main reason was, as you well know, the Brimhalls opposed at that time any force-pooling, and I believe, as a matter of fact, their attorney entered an appearance through a letter in which he stated, well, his letter was a little confused, but the essence of it was that they would oppose any forced pooling at that time. We, at that time, were still trying to negotiate in good faith with the Brimhalls.

Q So you believe that the circumstances that would, the change in circumstances that would warrant a new order in this area is that you have made further attempts to secure the voluntary consent of the Brimhalls and have been unsuccessful?

A Yes, sir.

MR. MORRIS: I believe that's all.

MR. VERITY: I would like to add to that that we think, from an over-all standpoint, not only is Mr. Brimhall going to be better off, but everybody else is, because the way it is right now Mr. Brimhall gets zero from his twenty acres and his rights are emasculated. If Mr. Brimhall appeared at the previous hearing we would not have objected to the force-pooling and the non-

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standard. However, if you remember, his appearance was in the nature of a letter where he said that he didn't desire to join.

We have been in consultation with his attorney and have made tentative agreements with his attorney, which Mr. Brimhall would never approve and never go along with. We sure think that everyone's correlative rights is going to be enhanced by a force-pooling order and it is a reasonable and proper thing to do under the circumstances.

We would also like to point out one other thing, and that is, at the time that we requested the non-standard proration unit we had tentative agreement of the communization of the North half of the Northeast quarter from the owners thereof, which is not Southwest. And when we presented the formal communization agreement in this regard, that they objected to the twenty acres being out of the unit and requested that certainly efforts should be made to be brought in.

MR. MORRIS: Do I understand, then, that, is that International Oil Company that owns that?

MR. VERITY: I believe that is International Oil.

MR. MORRIS: Did they refuse to join the acreage?

MR. VERITY: I don't know that they were that strong in their protest, but they said that they felt that correlative rights of others were certainly being infringed upon if they had

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to pay, what would it be, their share of 15/16ths instead of their share of 16. In other words, they would have to pay a 15th of the cost of the well rather than a 16th of the cost.

MR. MORRIS: Mr. Jones, where was that well located, again?

A It would be located in the 60-acre parcel in the Northeast quarter of the Charles E. and Ruby LaNore Jones. It's located on that parcel. There's an irrigation ditch that runs through that which I haven't shown. They requested that we place it North of that, so it would be somewhere near the center.

MR. VERITY: I believe it's in the Northeast, Southwest, Northeast.

MR. MORRIS: Mr. Jones, do you have any further information that you can give us regarding the nature of the offers that were actually made to the Brimhalls?

A I offered the Brimhalls exactly twice as much as the other people leased for. I also requested them to join us and enter into an operating agreement, but on the basis of a lease I offered them exactly twice as much as the other people had leased for.

MR. UTZ: In bonus or --

A In bonus, yes.

MR. UTZ: How about royalty?

A Royalty was exactly the same.

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MR. VERITY: That's in excess of one-eighth, was it not?

A The royalty was $17\frac{1}{2}$ percent.

MR. VERITY: I don't have exact well costs on this, but I can give you an approximation. Our engineer is here and he says it's approximately eighty to eighty-five thousand dollars drilling completion cost.

MR. UTZ: Would that be considered normal for a Dakota well in this area?

MR. VERITY: Yes, it's a normal cost.

MR. UTZ: How deep is a Dakota in this area?

A Around 6700 feet, I believe.

MR. UTZ: Are there other questions of the witness?

The witness may be excused.

(Witness excused.)

MR. UTZ: Do you have any other witnesses?

MR. VERITY: We have nothing further.

MR. UTZ: Are there other statements to be made in this case? The case will be taken under advisement.



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 12th day of December, 1961.

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 Examiner hearing of Case No. 2453 heard by me on Dec 12, 1961.
M. A. [Signature], Examiner
New Mexico Oil Conservation Commission

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Santa Fe, New Mexico
December 11, 1961

EXAMINER HEARING

IN THE MATTER OF:

Application of Southwest Production
Company for an order pooling all
mineral interests in the Basin-
Dakota Gas Pool in the E/2 of Section
7, Township 30 North, Range 11 West,
San Juan County, New Mexico. Interested
parties include Harold Marion Brimhall
and his wife, Maleta Y. Brimhall, both
of Phoenix, Arizona.

CASE NO.
2453

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: The next case will be 2453.

MR. WHITFIELD: Case 2453: Application of Southwest
Production Company for an order pooling all mineral interests
in the Basin-Dakota Gas Pool in the E/2 of Section 7, Township
30 North, Range 11 West, San Juan County, New Mexico.

MR. MORRIS: Mr. Examiner, the Applicant in this case
has requested it be continued until 10:00 o'clock tomorrow.

MR. UTZ: 2453 will be continued until 9:00 A.M. on
the 12th.

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