

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
June 28, 1962

EXAMINER HEARING

IN THE MATTER OF:)
)
)
)

Application of J. Glenn Turner for compulsory pool-)
ing, San Juan County, New Mexico. Applicant, in)
the above-styled cause, seeks an order of the)
Commission force-pooling all mineral interests in)
the Basin-Dakota Gas Pool in the S/2 of Section)
14, Township 29 North, Range 10 West, San Juan)
County, New Mexico.)

CASE 2590

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. UTZ: Case 2590.

MR. MORRIS: Application of J. Glenn Turner for compulsory
pooling, San Juan County, New Mexico.

MR. HANNAHS: Fred Hannahs with Seth, Montgomery, Federici
and Andrews, Santa Fe, representing J. Glenn Turner. I have one
witness.

(Witness sworn.)

MR. UTZ: Are there other appearances in this case?

MR. YAGER: Well, I'm Saul Yager from Tulsa, represent-
ing myself; and as far as the other owners who are associated with
me, I don't represent them as attorney, but they authorized me to
say that any order the Commission enters as far as I'm concerned
may be entered as far as they're concerned.



WILLIAM G. WEBB

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

DIRECT EXAMINATION

BY MR. HANNAHS:

Q Would you please state your name, address, and occupation?

A William G. Webb, Dallas, Texas, attorney.

Q Will you please state the nature of your association with the application in this case?

A Partner in the law firm of J. Glenn Turner, and a joint venture with he and Mr. Schulz in the acreage which is the subject of this application.

Q In your connection with the acreage concerned in this application, did you have anything to do with the assembling of the acreage and the procurement of the leases and the communitization of the lease ownership?

A I had, or rather I participated as a principal and as an attorney in the farmout agreement whereby Messrs. Schulz, Turner, Webb, acquired the acreage which they're dedicating to this unit, and I conducted the investigation to determine the balance of the lease ownership which will comprise the subject unit.

Q You are familiar with the application filed in this case, are you not?

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A Yes, sir.

Q Will you briefly state the nature of the application?

A The application asks that the Commission force pool the working and mineral interest ownership covering the entire South Half of Section 14, Township 29 North, Range 10 West, San Juan County, New Mexico, for the production of gas and associated liquid hydrocarbons from the Dakota formation. All of the working interest owners in the South Half of Section 14 have joined a communitization agreement which would so pool their interests, with the exception of the mineral interest owners covering the Southwest Quarter of such Section 14.

Q Do you have the names and addresses of those owners?

A Yes, sir, I do. I believe they are set forth in the application. Those who have not executed the communitization agreement and who are mineral owners in the Southwest Quarter of the Southwest Quarter of Section 14 are Messrs. Saul Yager, Morris Mizel, Sam Mizel, M. E. Gimp, and Barbara Ann Witten.

Q Have you been advised of a change of address of Mrs. Witten?

A I understand that she is now residing in New York City, address 535 East 86th Street.

Q And you have an exhibit which was prepared at your request and under your supervision?

(Whereupon, Applicant's Exhibit A marked for identification.)



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A Yes, it has been marked Applicant's Exhibit No. A, which is a plat of the area involved showing the lease ownership and offsetting wells, if any, as well as the proposed location of the Dakota well to be drilled on it.

Q What is the proposed location of this well to be drilled?

A 1630 feet from the west line and 925 feet from the south line of Section 14, 29 North. 10 West.

Q And what is the date of your drilling application on that well?

A July 4.

Q Of this year?

A Yes, sir.

Q Have you made a diligent effort, in your opinion, to identify and locate all the owners of the mineral interests in the acreage concerned?

A Yes, I believe we have.

Q Will you describe the attempts and measures that you have taken to induce the non-joining interests to join in the communitization agreement?

A Yes, sir. On December 19, 1961, I talked to Mr. Saul A. Yager by long distance telephone at his office in Tulsa. At that time I was advised by Mr. Yager that while he didn't represent the other mineral owners in the Southwest Quarter of the Southwest Quarter, that he, in effect, would convey our thoughts to them. We advised that he could either join in the unit as a



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participant, or that we would take a farmout from him and the other mineral interest owners. The basis of such farmout, in the event they elected not to join in the drilling of the well, was to be that they would execute a standard form oil and gas lease reserving a standard one-eighth royalty plus an additional 3.5 percent overriding royalty; and in addition to that overriding royalty, if the well, after same was drilled, had an initial potential of less than 2,000 MCF of gas per day, they would receive an overriding royalty of one-sixteenth of seven-eighths. In the event same was more than two million cubic feet of gas per day, they would receive an overriding royalty of one-eighth of seven-eighths. After recovery by the drilling parties of said parties, non-joining parties cost of drilling the well, said overriding royalty, the same, the sixteenth or an eighth of seven-eighths, would convert to a fifty percent working interest.

On January 10 I wrote to Mr. Yager, January 10, 1962, I wrote to Mr. Yager outlining this proposal. No reply was received to that letter. On February 8 and 9 I attempted to reach Mr. Yager by telephone, failing in which a telegram was sent to him advising that unless some answer was received or a farmout proposal or an affirmative agreement reached to join in the drilling of the well, that forced pooling proceedings would have to be instituted.

On February 12, 1962, a letter was received from Mr.



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Yager advising that his group would reach a decision on the matter during the week of February 19, 1962. On February 21, 1962, a letter was received from Mr. Yager's secretary advising that he was ill, but that the decision would be reached as soon as he had recovered and returned to the office.

On March 14, 1962, by telephone conversation with Mr. Yager, I was advised that they would execute an oil and gas lease on the basis outlined in our letter of February 10, 1962. On March 23, 1962, an oil and gas lease to be executed by Mr. Yager and his associates was forwarded to Mr. Yager, containing the reservations referred to above. No reply was received from Mr. Yager following the transmittal of such lease.

By telephone conversation on April 5, 1962, Mr. Yager advised that he and his associates had elected to join in the drilling of the subject well.

On April 11, 1962, a standard form communitization agreement and operating agreement which had been executed, or which had been agreed to be executed by the other working interest owners was forwarded to Mr. Yager for his execution and the execution of the balance of the parties owning the mineral interests in the Southwest Quarter of the Southwest Quarter, and an A.F.E. was forwarded to Mr. Yager estimating the total cost of the subject well to be \$81,000.00, making the Yager's group proportionate part thereof \$10,125.00. No reply was received to this communication.



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On May 15, 1962, a telegram was sent to Mr. Yager advising that if either the lease forwarded under date of March 23, 1962, or the communitization agreement and operating agreement forwarded under date of April 11, 1962, was not executed by May 21, 1962, forced pooling proceedings would be instituted.

Under date of May 16, 1962, Mr. Morris Mizel, one of the Yager group, was advised to the same effect. On May 21, 1962, by telephone conversation with Mr. Yager, I was advised that he was attempting to secure the execution by his associates of one or the other of the above referred to documents. No further communication has ever been received from Mr. Yager or any of his associates.

Under date of June 6, 1962, subject forced pooling proceedings were instituted. I believe that we went as far as we could go. July 4, 1962, our drilling date, was approaching.

Q Do you have reason to believe that the entire acreage under consideration will be productive of gas?

A Yes.

Q What are your expected operating costs per month on this well?

A For the total well, \$65.00 is general and administrative overhead, plus direct operating charges.

Q And have you made arrangements with the other mineral interest owners so far as their contributions to cost of the well?

A They have all executed the communitization agreement and



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operating agreement.

Q In the event the Commission sees fit to grant this application for forced pooling, do you ask for recovery from the non-consenting working interest owners for their proportionate share of the drilling costs?

A Yes, sir.

Q What would you consider to be reasonable under the circumstances?

A 125 percent.

Q Do you have a percentage allocation for well costs; that would be 100 percent, I presume?

A That's right.

Q What does the other 25 percent represent?

A Risk factor.

Q Do you assign any additional percentage for supervision and control of the well, over and above the 125 percent?

A None in addition to the operating expenses as outlined.

Q Will the Applicant be willing to furnish the Commission and each known non-consenting working interest owner in the unit an itemized schedule of the well costs?

A Yes, sir.

Q Would the approval of the application in this case for pooling all mineral interests avoid the drilling of unnecessary wells, in your opinion?

A Yes, sir.



Q Would it protect the correlative rights and afford the owner of each interest in the unit to recover or receive, without unnecessary expense, his just and fair share of the gas in the Basin-Dakota Pool?

A In my opinion, yes.

MR. HANNAHS: We move the introduction of the Applicant's Exhibit A.

MR. UTZ: Without objection, Applicant's Exhibit A will be entered into the record of this case.

(Whereupon, Applicant's Exhibit A entered in evidence.)

MR. UTZ: Does that conclude your case? Any questions of the witness?

MR. YAGER: Only one.

CROSS EXAMINATION

BY MR. YAGER:

Q Mr. Webb, as I understand it, you said that you did make an examination of the title?

A Yes, sir.

Q And incidentally, did you find the interest owners, that is, the respective interest that each one of these owners held?

A Yes, sir.

Q You found that Yager owned an undivided quarter interest, and Mrs. Witten one-quarter, and Gimp one-quarter, and Morris Mizel and Sam Mizel one-eighth each, is that correct?



A That's right.

Q That represented the total unsevered mineral interest in the 40 acres in question?

A Yes, sir.

MR. YAGER: I have no further questions.

MR. UTZ: Any other questions?

MR. MORRIS: Yes, sir.

BY MR. MORRIS:

Q Where is the nearest Dakota production to your proposed unit?

A Approximately two miles to the north and west of the proposed location. I can't give you the exact location of the well, but it's off the plat.

Q And the well in Section 15 which you show on your plat to be a well of Aztec Oil and Gas Company, is that well presently drilling to the Dakota?

A Presently drilling, yes, sir.

MR. UTZ: But they have not reached the Dakota?

A No, sir.

Q (By Mr. Morris) Is there Dakota production to the south and to the east of Section 14?

A Not within six or seven miles.

Q Upon what do you base your opinion, Mr. Webb, that the South Half of Section 14 is productive in the Dakota?

A A general trending of the Dakota production in that area.



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coming down from the north and west.

Q Have you been so advised by your geologist?

A Yes, sir.

MR. MORRIS: That's all I have.

MR. YAGER: May I ask one further question?

MR. UTZ: Yes.

MR. YAGER: As I understand it, you propose to commence your well in the next week or so?

A We would like to move the rig this afternoon.

MR. UTZ: Are there other questions? The witness may be excused.

(Witness excused.)

MR. UTZ: Any other statements in this case? The case will be taken under advisement.

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