

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
July 11, 1962

EXAMINER HEARING

FARMINGTON, N. M.  
PHONE 325-1182

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.  
PHONE 243-6691

IN THE MATTER OF:

Application of Southwest Production Company  
for a forced pooling order, San Juan County,  
New Mexico. Applicant, in above-styled cause,  
seeks an order for pooling all mineral interests  
in the Basin Dakota Gas Pool underlying the W-2  
of Section 10, Township 30 North, Range 11 West,  
San Juan County, New Mexico, to be dedicated to  
a well which has been completed in the NE-4  
SW-4 of Section 10.

CASE NUMBER  
2600

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: This Hearing will come to order. The next  
case is case 2600.

MR. MORRIS: Application of Southwest Production Company  
for a forced pooling order, San Juan County, New Mexico.

MR. COOLEY: James Cooley, Verity, Burr & Cooley, Farm-  
ington, New Mexico, appearing on behalf of the applicant. We have  
one witness to be sworn, Jack Jones. (Witness Sworn).

JACK D. JONES

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

DIRECT EXAMINATION

BY MR. COOLEY:



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Q State your full name, please, and place of residence, please?

A Jack D. Jones, residing at 4012 Cedar Drive, Farmington, New Mexico.

Q What is your occupation, Mr. Jones?

A Independent land man.

Q Are you familiar with the Applicant in this case?

A Yes. I am retained by Southwest Production Company to perform the necessary land work in preparing their lands for drilling.

Q Are you familiar with Southwest Production Company's lease in the west half of Section 10, Township 30 North, Range 11 West, N.M.P.M.?

A Yes, sir, I am.

Q Does Southwest Production Company own all the lands in that 320-acre tract?

A All but 16½ acres.

Q Are you aware of the owner's names, the names of the owners of the acreage not owned by Southwest Production Company?

A Yes, sir.

Q Has a list of those owners been submitted to the Oil Conservation Commission in connection with this case?

A I believe so.

Q Is this list complete so far as your knowledge extends?

A Yes.



Q Have you attempted to contact the individuals named in Exhibit A for the Applicant herein?

A I have contacted, or attempted to contact, every person whose name appears on the list.

Q What was the nature of the contact which you had with these people?

A Well, first of all, all of this acreage is within the city limits of the City of Aztec. I hired four men, who went through the city, attempting to lease all the acreage. After that, I then personally contacted those who had not leased, who lived within the area, and those who I ascertained, to the best of my ability, their addresses and contacted them by mail.

Q What offer, if any, was made to these people?

A I offered to lease for \$25.00 an acre and a 3/16 royalty of the wells proposed in that location and included forms for them to make a gift of the minerals to the City of Aztec, if they so desired, and we proposed to increase the royalty to 25 percent to any of them who made a gift to the City. The money had to be used for recreational purposes, and that is why we did increase the royalty.

Q Now, these people that are named in Exhibit A to the application, did they either decline to accept the offer or join in a unit or either remain silent?

A They did except for three of them. They would be C. E. Cradick, who leased, Roy A. Petri, who is deceased but his wife,

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his widow, has signed a lease; and there is Charles Guy Shepard who leased to us.

Q Do you feel that the offer made to these people was a reasonable offer under the circumstances?

A Yes, I do.

Q Have you prepared a plat showing the proposed unit which the subject of this application is?

A Yes, I have. It is a very simple exhibit. It shows the 320-acre block with the location of the well thereon, with the name, the date it was spudded, the date completed, and the initial IP of the well.

(Whereupon, Applicant's Exhibit 1 was marked for identification)

Q Have you also prepared an exhibit which shows the notes and bounds and the tracts which have refused to join?

A I have here a blown-up copy of the area in which we are particularly interested, and it shows in red the lands which were the subject of this forced pooling application.

(Whereupon, Applicant's Exhibit 2 was marked for identification)

Q Will you please indicate on Exhibit Number 2 the acreage which is the subject of this application?

A The 320 acres would be the acreage shown on the right of the map, up at approximately the middle of the map. You can see the section number, you will see Section 10 up there, the southwest half of Section 10 would be the part on the right,

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approximately a third of the map, and the lands colored in red are those which I have been unable to lease up to the present time.

MR. NUTTER: What is the scale here, Mr. Jones, one mile from north to south here?

A Right.

MR. NUTTER: One to 400 on both maps?

A No, one to 200 on the large one. I had it blown up twice the size, so it's one to 200.

Q (By Mr. Cooley) To the best of your knowledge, are the areas shown in red, which Applicant requests be forced pooled in this application, the grave plots except for three grave plots?

A That is accurate, but that would be over in the southeast of the northwest of Section 10. The three which would comprise a total of about .021 acres up in this blank space in here (indicating) that will comprise two hundredths of an acre of the three combined.

Q Has the well to which the west half of Section 10 is to be dedicated already been drilled by the Applicant herein?

A Yes, it was spudded on March 7, 1962, and completed on May 7, 1962, with an IP of 1797 MCF. The well has not yet been put on production.

Q In your opinion, did the Applicant in this case incur any risk in the drilling of this well?

A Yes, the usual risks were encountered with the additional risk encountered on a gypsum strata in the Dakota, which they had not heretofore encountered, and when they fracked it with the water,

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they had trouble with the gypsum absorbing the water and, as well, and the well has not, on test, been able to produce anywhere up to the ability indicated by the location of the well. It actually would have been the best of any of the wells, according to the tests run on it, and it has been far from satisfactory.

Q If the well continues to produce in its present status, would you consider this well to be a commercially productive well? How would it work with respect to the average well in the area?

A It will be among the poorer wells.

Q What affect will this have upon the group of people who are required to pay out the cost of drilling?

A Depending upon the future market for the gas and the allowable and the time situation, but it will, of course, extend the period of payout.

Q In your opinion, what do you feel would be adequate compensation to the Applicant in this case for the risk incurred in this well?

A We have pretty much settled for 25 percent as the figure, I believe. My personal views are of record.

MR. COOLEY: At this time we would like to offer Applicant's Exhibits 1 and 2 in evidence.

MR. NUTTER: There being no objection, they will be admitted in evidence.

(Whereupon, Applicant's Exhibits 1 and 2 were admitted in evidence)

MR. COOLEY: We have no further questions at this time.

MR. NUTTER: Are there any other questions?

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MR. MORRIS: Yes.

MR. NUTTER: Mr. Morris.

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Jones, what is your position now, or the position of Southwest Production Company, with respect to city streets and public roadways?

A We have leased the streets from the City. We also have leased them from the individual lot owners. My personal view is that the statute is open to controversy and probably being set aside by the court if and when the matter is tried.

Q So, you have covered yourself by leasing in both ways?

A Yes, sir.

Q I assume you have been successful in doing that in every case, when you have not been able to get the land owner to go along?

A That's right. I haven't included the streets and alleys in these descriptions going on the basis to the middle of the street.

Q Is a railroad right-of-way running through the property, is that just a right-of-way?

A No, they have acquired that in fee, and it's leased.

Q Let's see, now, are there any waterways in this half section?

A Yes. They will show, you will notice over here, there are two running through this half section (indicating). You will notice up in the northwest of the northwest, the Animas, the lower

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Animas ditch and the septic ditch. These ditches are strictly rights-of-way; however, we acquired quit claims from these ditch companies to the land owners to clear the matter of there having been more than a right-of-way acquired.

Q Mr. Jones, you may have noticed in our recent forced pooling orders, entered by the Commission, that \$75.00 per month was affixed as the cost of operating a well. Do you feel that in this half section, with respect to this well, that \$75.00 a month would be required?

A I do not, but Southwest has assured me that they will go along with the Commission on that figure. They do not wish to contest it. We have some forced pooling actions coming up for the rest of the town, and that is it, and Southwest has indicated that they are willing to go along on the basis you have set up.

Q Including the provision that is more or less standard in our orders, that moneys will be escrowed if not actually disbursed?

A Yes. We would hope, of course, to eventually induce all these people to lease, those we can find. There are some we cannot find. We would hope to induce all we can find to eventually lease to us.

Q How long did it take you, Mr. Jones, from the time you started acquiring these leases, until the present time?

A About eight months.

Q Working fairly consistently?

A Yes. I had four men working ~~the better of three~~

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months on it.

Q On this and the other cases?

A Yes, sir, on the town area.

MR. MORRIS: I believe that is all I have.

A I am of the personal opinion that I can say that is a bad deal for Southwest. I would never have done it myself, but they felt they should develop this acreage, and that's that. The actual costs at the present time are coming up somewhere in the neighborhood of about \$67.00 per acre, is what we are paying.

MR. NUTTER: Mr. Jones, where is this well located?

A The well is located 1,760 feet from the west line and 2100 feet from the south line, which would put it in the northeast of the southwest.

Q So, it would be up on this mesa?

A Yes. We put it so far away from any inhabited area so if something did happen, we wouldn't have a million dollars worth of damage for a three or four hundred thousand dollar well.

Q Does someone in the Commission own property in your direction on there, and operate it?

A Yes.

Q I don't know whether the Oil Conservation Commission owns anything there or not. You are not force pooling the Oil Conservation Commission on their property, are you?

A No. We have that land leased. We are - -

Q Alton Ray Kendrick is listed on there. Is that the same

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man who is a member of the Commission?

A Alton Kendrick in Aztec.

Q You mentioned three names during your direct testimony, Mr. Jones. Roy A. Petri, deceased, and two others?

A It would be C. E. Cradick. He is number 11 on my list. I don't know whether your list would follow the same order or not. Well, he may have been stricken from your list. Then Roy Petri and Charles Guy Shepard.

Q He should be on the list, but those three parties, you did obtain leases from?

A Yes.

Q And the rest of the names, as on Exhibit A, are parties who have not, to the present time, leased?

A I will obtain leases from several companies, but we have not yet obtained leases.

Q Have you actually been able to make contact with all the people who own property in the west half of Section 10?

A Just recently - - I have been unable to make contact with the owners of the three grave plots.

Q You don't know where they are?

A Yes. They are buried in them.

Q I mean B. F. Carver.

A I have attempted to contact him personally and in writing, and the letters have been returned that have been sent out to him, so I have no idea where he is located, and I would naturally guess

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that he would rather pay taxes rather than having to take the land.

Q On Exhibit A without an address, is that the same Carver?

A That's right.

Q Now, Mr. Jones, we sent copies of this docket to the parties who were advertised on Exhibit A, and the dockets were returned from Mr. Winston, back here, 9255 North Maddox Avenue. Were you able to contact him?

A I never got the letter back. I assume **he did**.

Q Was it sent certified mail?

A No, I sent them regular mail. It's not one which was returned.

Q We also have a docket from Abner Cunningham and leaving no address. Were you able to contact Mr. Cunningham?

A Yes. I never got that letter back either, and mine were sent out sometime ago.

Q By registered or certified mail?

A I sent all these regular.

Q Is that a common practice, or do you send some certified mail?

A When there is just a few, I do. I sent out about 300 letters, and I did not send them out - - actually, I have received only 4 letters back out of the approximately 300 that have been forwarded or sent out.

Q And they were returned as not having been delivered, returned by the post office department?

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A That's right, and none in this area. I had one returned to a Captain Cryden Clack in the Army, and the Army returned it to me as "unknown", and two others.

MR. NUTTER: Are there any other questions of Mr. Jones?

MR. COOLEY: I have re-direct, please, sir.

RE-DIRECT EXAMINATION

BY MR. COOLEY:

Q Mr. Jones, for the sake of the record, in order to clarify this application, it is, as I understand it, the application of Southwest Production Company to force pool all interests in the minerals in and under the west half of Section 10, irrespective of ownership?

A That's right. That's right; however, these exhibits and lists are those interests that are unleased in there.

Q They reflect your best efforts?

A Yes.

MR. COOLEY: That's all I have.

MR. NUTTER: Are there any further questions? If not, the witness may be excused. Mr. Cooley, do you have anything further?

MR. COOLEY: Nothing further.

MR. NUTTER: If there is nothing further, we will take the case under advisement, and this hearing is adjourned.

(Whereupon, the hearing of these cases was adjourned at 2:00 P. M.)

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