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PHONE 243 6691

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 20, 1962

EXAMINER HEARING

IN THE MATTER OF:)

Application of Southwest Production Com-)
pany for compulsory pooling, San Juan)
County, New Mexico. Applicant, in the)
above-styled cause, seeks an order force)
pooling all mineral interests in the)
Basin-Dakota Gas Pool underlying the E/2)
of Section 3, Township 30 North, Range)
11 West, San Juan County, New Mexico.)

CASE 2699

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 2699.

MR. DURRETT: Application of Southwest Production
Company for compulsory pooling, San Juan County, New Mexico.

MR. VERITY: George Verity, Verity, Burr and Cooley
for the applicant.

(Witness sworn.)

JACK D. JONES

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

DIRECT EXAMINATION

BY MR. VERITY:



Q Will you state your name, please?

A Jack D. Jones.

Q Mr. Jones --

MR. UTZ: Just a moment. Are there any other appearances to be made in this case? You may proceed.

Q (By Mr. Verity) Mr. Jones, what is your occupation?

A I'm an independent land man.

Q Are you familiar with the land situation as to the East Half of Section 3, Township 30 North, Range 11 West, San Juan County, New Mexico?

A Yes, sir.

Q Have you done work with regard to this 320-acre production unit for Southwest Production Company?

A I have done all the land work in this area.

Q Does Southwest have leases on the majority of the acreage in this unit?

A Yes, sir.

Q Does anyone else own any leases in this unit?

A Tom Bolack.

Q Has he joined?

A He has agreed to join. As of yet we haven't received the executed agreement from him.

Q Are there unleased portions in the area?

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A No.

Q Has Southwest drilled and completed a well in this unit?

A Yes, we have.

Q Where is it located?

A It's the Celia Callaway No. 1 well which is located in the Northeast, Northeast Quarter.

MR. UTZ: Footage location or will you have an exhibit?

A Yes, I have a map here which will give it to you. It's 845 feet from the North line and 835 feet from the East line.

MR. UTZ: Just a minute until I locate the well.

A It would be in the Northeast, Northeast corner in the right-hand corner. I didn't show it on there. It's in the Callaway lease. See that triangular-shaped parcel up there?

MR. UTZ: Is that the Callaway lease?

A Yes, it will be located in that area.

MR. UTZ: What were these footages?

A They're shown on the map in the lower right-hand corner.

MR. UTZ: All right. You may proceed.

Q (By Mr. Verity) You contacted Alvin K. Brown, J. G. Brown, Herbert D. Wright and Barbara Jane Wright with regard to the lease of their acreage?

A Well, these lands are leased and Southwest holds the lease, but it is our custom whenever we obtain leases from another



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party, that inasmuch as we've had no control over the lease and cannot be sure that that lease has been held by production properly, we seek ratification of each lease to protect our investment. I have personally contacted the Browns. I have been unable to locate Mr. and Mrs. Wright. I have sent them a letter which has been returned. The Browns, up to the present time, have not signed the necessary ratification. As a matter of fact, Jim Brown refuses to sign a division order because he says it will cost him more than he will get out of it, so he refuses to sign anything.

Q You say your well will be completed in the Dakota?

A Yes, sir.

Q Mr. Jones, heretofore have you made a study of the risk and hazard of drilling and completing wells in the Dakota in the San Juan Basin?

A Yes, sir, and I have tested at great length.

Q Do you think there is a risk?

A Yes, sir.

Q What would you estimate that would be in percentage of cost?

A Well, it is considerably in excess of the 125% that we are asking.

Q In this case?



A In this case.

Q Do you think that you have made a reasonable effort to obtain the joinder of all parties that are entitled to any production in the East Half of Section 3, 30 North, 11 West for this well?

A Yes, sir.

MR. VERITY: We offer Exhibit No. 1 in evidence. That's all we have.

MR. UTZ: Without objection, Exhibit 1 will be entered into the record in this case.

(Whereupon, Applicant's Exhibit No. 1 was admitted into evidence.)

CROSS EXAMINATION

BY MR. UTZ:

Q I have been unable to locate the acreage or the area that is the Wrights.

A It's near the, if you will go up the center line it will be in the Southeast of the Northwest, actually be in the North Half of the Southeast of, well, it would be the Southeast, Northwest and the Southwest, Northeast. You see it there. It's not a triangle but a rectangular parcel which includes, falls in both halves of the section.

Q What quarter, quarter section?

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A The Southwest of the Northeast and the Southeast of the Northwest. It will be in the North Half of those quarter sections.

Q It's this little almost octagon shape deal?

A Two and a third acres in the Southwest, Southeast there. The Brown acreage is just South of that in the South Half of those subsections.

Q Insofar as the Browns are concerned, have you offered them an opportunity to come in on the well as a working interest owner?

A Yes, sir.

Q And they have refused?

A Alton says he'll sign but he hasn't up to this time. I have contacted him five times and he always has some reason for not signing at that particular moment, says Jim refuses because he says it will cost him more than he will get out of it, so he absolutely refuses. These lands are under lease and we have taken assignments of the lease, but as I said, it is our custom to obtain ratification of all leases we obtain from others, because I believe there is some question under the prorationing system whether the leases can be continued in production, so we have obtained ratification from all parties.

Q But you have actually leased the land from him and paid

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him an agreed sum?

A Yes.

MR. UTZ: Any other questions of the witness?

MR. DURRETT: Yes, I have a question.

BY MR. DURRETT:

Q I believe there's some testimony about some of the parties were notified by mail?

A That's the Wrights.

Q Did you mail certified letters in that case?

A I sent regular mail and they were returned.

Q They were returned to you?

A Yes, to me.

Q Do you remember how those were marked?

A To the address in Aztec. Just Aztec, New Mexico, which is the only address I have been able to locate for them, and I have gone out there and they are not living on the land.

Q Mr. Jones, do you have in your possession at this time, or could you give us some estimate of well costs involved?

A I do not have that material handy, but I can obtain it for you.

MR. VERITY: We will file a complete well cost within thirty days, which I believe has been customary.

MR. DURRETT: Yes, that was my next question.

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Q I'm sure you are familiar that the Commission has been issuing orders in the past that would allow thirty days after completion of the well.

A Right.

Q And then an additional thirty days for any non-consenting owner to pay, would that be satisfactory to you in this case?

A Fine.

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

The witness may be excused.

(Witness excused.)

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



