

DATE 2/24/41 Application of SOUTHWEST
PROD. CO. for an order force pool-
ing a 300-acre gas production unit.

Case No.

2343

Application, Transcript,
and Exhibits, Etc.

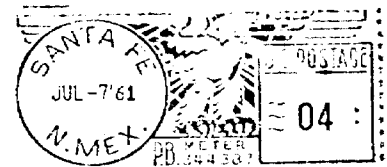
July 19, 1962

The Citizens Bank of Artec which maintains offices in both Artec and Farmington has been designated as the escrow agent by Southwest Production Company. Any proceeds from production from forced pooled property which are not disbursed for any reason will be placed in escrow in this bank.

See letter from Joseph P. Driscoll, Southwest Production Company, Dallas, Texas, dated July 16, 1962, and filed in Case No. 2600.

(Cases Nos. 2415, 2416, 2446, 2452, 2453, 2600, and in Nos. 2343 and 2281)

State of New Mexico
Oil Conservation Commission
P. O. BOX 871
SANTA FE



INSUFFICIENT ADDRESS

Mrs. Helen Moya
Cleveland, Ohio

'E'

RETURN
TO WRITER



No. 21-61

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 19, 1961

9 A.M. - Oil Conservation Commission Conference Room
State Land Office Building, Santa Fe, New Mexico

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, as Alternate Examiner:

CONTINUED CASE

CASE 2298: Application of Chambers & Kennedy for a gas-oil dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Monument State Well No. 1, located in Unit J, Section 34, Township 19 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the Eumont Gas Pool and the production of oil from the Eunice-Monument Pool through the 5½-inch by 2½-inch casing-tubing annulus and through 2½-inch tubing respectively.

NEW CASES

CASE 2338: Application of Continental Oil Company for two non-standard oil proration units and for an exception to Rule 309 (a), Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of two non-standard oil proration units in the Empire Abo Pool, consisting of the following-described acreage in Section 30, Township 17 South, Range 29 East, Eddy County, New Mexico:

(1) Lots 1 and 2 comprising 55.65 acres.

(2) Lots 3 and 4 comprising 56.61 acres.

Applicant further proposes to commingle the Empire-Abo Pool production from the portions of its State S and State P leases located in said Section 30 and to allocate production on the basis of periodic well tests.

CASE 2339: Application of J. Gregory Merrion & Associates, for a gas-oil dual completion, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its Edna Well No. 2, located in Unit O, Section 7, Township 24 North, Range 6 West, Rio Arriba County, New Mexico, as a

gas-oil dual completion with production of Pictured Cliffs gas through 2 7/8 inch casing and production of Gallup oil through 2 3/8 inch tubing installed within a string of 4 1/2 inch casing, with the casing strings cemented in a common well bore.

CASE 2340:

Application of Pan American Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location in the Red Lake-Pennsylvanian Gas Pool for its Malco "M" Well No. 1, located 2310 feet from the North line and 1650 feet from the East line of Section 4, Township 18 South, Range 27 East, Eddy County, New Mexico.

CASE 2341:

Application of Pan American Petroleum Corporation for an exception to Rule 303 (a) and 309 (a), Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to commingle the production from the Hobbs, Bowers, and Hobbs-Drinkard Pools from a number of leases in Sections 3, 4, 5, 9, and 10, in Township 19 South, Range 38 East, and Sections 33 and 34 in Township 18 South, Range 38 East, Lea County, New Mexico, after separately metering the production from each lease and from each pool prior to commingling.

CASE 2342:

Application of Western Natural Gas Company for a non-standard gas proration unit and for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 320-acre non-standard gas proration unit in the Jalmat Gas Pool comprising the SW/4 of Section 14 and the SE/4 of Section 15, all in Township 23 South, Range 36 East, Lea County, New Mexico. Said unit is to be dedicated to the Matkins Well No. 1 at an unorthodox location 660 feet from the South and East lines of said Section 15.

CASE 2343:

Application of Southwest Production Company for an order force pooling a 300-acre non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force pooling all mineral interests in a 300-acre gas proration unit in the Basin-Dakota Gas Pool, consisting of the E/2 of Section 7, Township 30 North, Range 11 West, excepting the S/2 SW/4 SE/4 thereof, San Juan County, New Mexico. Interested parties include John J. (Juan J) Moya and Helen Moya.

CASE 2344:

Application of The Ohio Oil Company for an order force-pooling a 317-acre gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in a 317-acre gas proration unit comprising the S/2 of Section 30, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico.

**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:**

**CASE No. 2343
Order No. R-2042**

**APPLICATION OF SOUTHWEST PRODUCTION
COMPANY FOR AN ORDER POOLING A 300-
ACRE NON-STANDARD GAS PRODUCTION UNIT,
SAN JUAN COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 19, 1961, at Santa Fe, New Mexico, before Elvis A. Uts, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 26th day of July, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Uts, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Southwest Production Company, seeks an order pooling all mineral interests in a 300-acre gas production unit in the Basin-Dakota Gas Pool, consisting of the E/2 of Section 7, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico, excepting the S/2 SW/4 SE/4 thereof.

(3) That the above-described 300-acre non-standard gas production unit was established by Order No. R-1991, entered in Case No. 2288 on June 8, 1961.

(4) That the applicant has attempted to secure the consent of all mineral interest owners in the subject production unit, but that the interest, if any, owned by John J. (Juan J.) Moya and Helen Moya, has not been joined voluntarily in said unit.

(5) That in order to protect correlative rights and to afford to the owner of each interest in said production unit the opportunity to recover or receive without unnecessary expense

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CASE No. 2343
Order No. R-2042

his just and fair share of the gas in the Basin-Dakota Gas Pool, the subject application should be approved.

(6) That the applicant proposes to drill a well on the subject proration unit.

(7) That the applicant should be designated the operator of the unit.

IT IS THEREFORE ORDERED:

(1) That all mineral interests in a 300-acre gas proration unit in the Basin-Dakota Gas Pool, consisting of the E/2 of Section 7, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico, excepting the S/2 SW/4 SE/4 thereof, are hereby pooled.

(2) That Southwest Production Company is hereby designated the operator of said unit.

(3) That the proportionate share of the costs of development and operation of the pooled unit shall be borne by each consenting working interest owner in the same proportion to the total costs that his acreage bears to the total acreage in the pooled unit.

(4) That the proportionate share of the costs of development of the pooled unit, including a reasonable charge for supervision, shall be paid out of production by each non-consenting working interest owner and shall be 110 percent of the same proportion to the total costs of drilling and completing a well on the unit that his acreage bears to the total acreage in the pooled unit.

(5) That the share of the costs for development of the pooled unit, as determined above, which is to be paid by the mineral interest owners shall be withheld only from the working interests' share (7/8) of the revenues derived from the sale of the hydrocarbons produced from the well on the pooled unit. Royalty payments are not to be withheld for the purpose of paying out the costs of development and operation of the pooled unit.

(6) That Southwest Production Company shall furnish the Commission an itemized schedule of well costs upon completion of a well on the subject unit.

(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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CASE No. 2343
Order No. R-2042

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



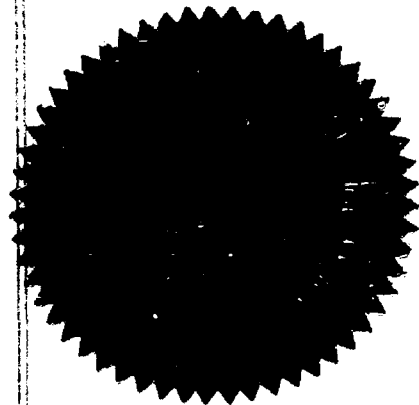
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



A. L. PORTER, JR., Member & Secretary



esr/

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 871
SANTA FE

July 26, 1961

Mr. George Verity
Attorney at Law
152 Petroleum Center Building
Farmington, New Mexico

Re: Case No. 2343
Order No. R-2042
Applicant:

SOUTHWEST PRODUCTION COMPANY

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A handwritten signature in cursive script, reading "A. L. Porter, Jr.".

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC X

Artesia OCC

Aztec OCC X

OTHER

Case 2343

Hearings 7-19-61

Rec. 7-19-61

1. Grant applicant's request for forced pooling of ^{certaint.} ~~all~~ interests in the E 1/2 of sec. 7-30 N-11 W.

2. There is some question of the ownership of in the S 1/4 of this section. They have some pool some interest ~~the~~ Juan, J. Moya or Helen Moya his former wife may have, if they have, in this unit.

Thos. A. Moya

See Co. 2 3 18 1

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF:)

THE APPLICATION OF SOUTHWEST PRODUCTION)
COMPANY, a co-partnership consisting of)
JOSEPH P. DRISCOLL and JOHN H. HILL,)
FOR AN ORDER FORCE POOLING ALL INTERESTS)
IN THE NON-STANDARD GAS PRORATION UNIT OF)
THE BASIN-DAKOTA GAS POOL, IN SAN JUAN COUNTY,)
NEW MEXICO, COVERING ALL OF THE EAST 1/2 of)
SECTION 7, TOWNSHIP 30 NORTH, RANGE 11 WEST,)
EXCEPT the SOUTH 1/2 of the SW 1/4 of the)
SE 1/4 thereof.)

No. 2343

A P P L I C A T I O N

Comes now the applicant, SOUTHWEST PRODUCTION COMPANY, a co-partnership consisting of Joseph P. Driscoll and John H. Hill, and for its application alleges and states:

1. That it is the owner of oil and gas leases covering the entire mineral interest underlying the non-standard gas proration unit for production of gas from the Dakota formation of the Basin-Dakota Gas Pool in San Juan County, New Mexico, which non-standard gas proration unit was created in Order R-1991, to consist of all of the East 1/2 of Section 7, except the South 1/2 of the Southwest 1/4 of the Southeast 1/4 thereof, said gas proration unit comprising 300 acres.

2. That there is a possibility that John J. (Juan J.) Moya and Helen Moya might claim some right, title and interest in and to the 7/8ths working interest oil and gas leasehold estate underlying that portion of the above described non-standard Dakota gas proration unit which lies within the Southeast 1/4 of the above described Section 7. That applicant contends that such claims of interest would be of no force and effect, if asserted, but upon the contingency

that such claims might be made and be found valid, applicant desires that the interests of said two individuals be force pooled in accord with the Statutes of the State of New Mexico and the Rules of this Commission.

3. That applicant is planning to drill a well upon the above described non-standard Dakota gas proration unit and is entitled to have the contingent interests of John J. (Juan J.) Moya and Helen Moya, if any, force pooled, and is further entitled to an order of this Commission authorizing it to take all of any production had from the above described well which might be declared to be owned by said two individuals until such time as it has been repaid 150% of its drilling and production costs and expenses in connection with the drilling and operation of said well.

4. That applicant is the holder of an assignment of the working interest in certain leases which were formerly owned by John J. (Juan J.) Moya, who represents himself as having been divorced from Helen Moya at the time of the execution of such assignment, and further represents that Helen Moya has no right, title or interest in and to the above described lands. That the records in San Juan County, New Mexico have never been made to reflect the divorce of John J. (Juan J.) Moya from Helen Moya, and have never been made to reflect that John J. (Juan J.) Moya acquired all of the interest of Helen Moya prior to the execution and delivery of the assignment from him to applicant. [That applicant has endeavored to contact Helen Moya to obtain a ratification of the assignment from John J. Moya to it; or, in the alternative, if she holds any interest in the lands, to obtain either an assignment from her or a joinder by her in the well above described.

5. That the force pooling order herein requested is necessary in order to prevent waste and in order to protect the correlative rights of the applicant.

WHEREFORE, applicant prays that this application be set down for hearing; that due notice thereof be given in accord with the Rules of this Commission and the laws of the State of New Mexico; that after hearing, and from the evidence to be adduced thereat, this Commission enter an order force pooling the above described non-standard Dakota gas proration unit as to any contingent interests which might be held, or asserted, by John J. (Juan J.) Moya or Helen Moya and extending to the applicant the right to retain the working interest production from the above described well until such time as it has been repaid 150% of the costs incurred by it in connection with the drilling, completion and production of said well.

SOUTHWEST PRODUCTION COMPANY,
a co-partnership consisting of
Joseph P. Driscoll and John H.
Hill,

By


(Geo. L. Varsity)

ATTORNEY FOR APPLICANT
152 Petroleum Center Bldg.
Farmington, New Mexico

Case 2343

GEO. L. VERITY
ATTORNEY AT LAW
SUITE 152 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO
TELEPHONE DAVIS 5-0203

July 19, 1961

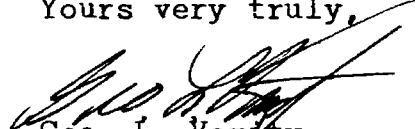
New Mexico Oil Conservation Commission
Post Office Box 871
Santa Fe, New Mexico

Re: Application of Southwest
Production Company for force
pooling of all interests in the
non-standard gas proration unit
of the Basin-Dakota Gas Pool, in
San Juan County, covering the
East 1/2 of Section 7, Twp. 30 N.,
R. 11 W, except the South 1/2 of
the SW 1/4 of the SE 1/4 thereof.
(My file #1320-L)

Gentlemen:

Enclosed herewith is the original, together with two
copies, of application of Southwest Production Company in re
the captioned matter. This application may be heard by the
Trial Examiner.

Yours very truly,


Geo. L. Verity

GLV/m
encls as stated

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PAGE

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 19, 1961

Case No. 2343



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 19, 1961

IN THE MATTER OF:

Application of Southwest Production Company
for an order force pooling a 300-acre non-
standard gas proration unit, San Juan County,
New Mexico. Applicant, in the above-styled
cause seeks an order force pooling all mineral
interests in a 300-acre gas proration unit in
the Basin-Dakota Gas Pool, consisting of the
E/2 of Section 7, Township 30 North, Range 11
West, excepting the S/2 SW/4 SE/4 thereof,
San Juan County, New Mexico. Interested
parties include John J. (Juan J) Moya and
Helen Moya.

Case
2343

BEFORE:

Elvis A. Utz, Commissioner

TRANSCRIPT OF HEARING

MR. UTZ: Case 2343.

MR. MORRIS: Application of Southwest Production Company
for an order force pooling a 300-acre non-standard gas proration
unit, San Juan County, New Mexico.

MR. UTZ: What are the Appearances in this case?

A George L. Verity for the Applicant, and Mr. Juan J.
Moya is here for himself. And, do you represent Mrs. Moya?

MR. MOYA: I represent Kindom Uranium in this case, and
also myself.

MR. UTZ: You are appearing for yourself as well as
Kindom Uranium?

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MR. MORRIS: I would like to set the record straight.

Mr. Moya, if you are not an attorney, you can't appear for Kindom in this case; and they would have to be represented by an attorney. So, I imagine you can just appear for yourself.

MR. MOYA: Yes, I believe so; but, for the record, I want to say that Kindom have received a notation of this case. I don't know if they have effect or not.

MR. MORRIS: Publication has been made as described by law.

MR. VERITY: We don't have any arguments with Kindom Uranium about this, and we will make the record clear about this.

JACK D. JONES,
called as a witness herein, having been first duly sworn on oath,
was examined and testified as follows:

DIRECT EXAMINATION

BY MR. VERITY:

Q Would you please state your name?

A Jack D. Jones.

Q What is your occupation?

A I am an independent land man.

Q Have you been doing land work and representing Southwest Production Company in their land operations?

A Yes, sir; I have.

Q Are you familiar with their lease land and development situation on this non-standard unit consisting of all of the east



half of Section 7, Township 30 North, Range 11 West, except the south half of the Southwest Quarter of the Southeast Quarter?

A Yes, sir.

Q This Commission recently established a non-standard proration unit for the Dakota Gas?

A Yes, sir.

Q And Southwest, since then, drilled a well on this unit?

A Yes, sir; we have.

Q Where is it located?

A The well is located in the Northeast Quarter. I do not know the footage, but it's in the Northeast Quarter.

Q Does Southwest Production Company own all of the working interests underlying this non-standard unit?

A Yes, sir.

Q Will you explain to the Commission, please, the land situation with regard to the Southeast Quarter of Section 7?

A Well, I wouldn't exactly -- What do you mean by that?

Q Well, why do you at this time ask --

A We are asking for the relief requested in this Application for the following reason: We understood that Juan was a married man and his wife had not executed -- rather I should say, we understood that Juan was divorced, but in checking the pattern out we found that his wife had not signed, or Mrs. Moya had not signed. And, when we asked Juan about this, he informed us that he was divorced and the papers were of record, but we have been

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unable to find these papers, and Juan hasn't been able to find them, and we have been unable to locate Mrs. Moya to get her signed up though Juan has undertaken to do that for us; but, we have not been successful to this time for getting her signed up. And, this relief is requested as a title curety measure.

Q How did Southwest Production Company acquire its lease hold on the Southeast Quarter site?

A These lands were required from Kindom Uranium who, in turn, has acquired them from Juan.

Q And, did you also acquire leases from the mineral owners who were denying the lease hold state of Kindom?

A Except for one.

Q And, you have an assignment of Kindom's rights with an overriding reserved to them under the Southeast Quarter?

A That's right.

Q How did Kindom acquire that lease?

A From Juan, Juan signed it.

Q And, it's Southwest's position that you own all of the working interest underlying this Southeast Quarter?

A Yes, sir.

Q Have you made an effort to contact Mrs. Helen Moya?

A Yes.

Q Have you been able to reach her?

A No, sir; we have not.

Q Have you made very effort that you could to locate her?



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A Yes, sir; I think so.

Q What is the last known address you had for her?

A Well, the last address was she was visiting her sister or a relative in Cleveland, Ohio, and it's merely Cleveland, Ohio.

Q Her residence is supposed to be --

A Minneapolis.

Q And, have you endeavored to reach her both places?

A Yes, sir.

Q You ask the Commission, do you, to force pool any possible claim that Mrs. Moya might have or that Juan Moya might have by virtue of her failure of assignment?

A Yes, sir.

Q You have other acreage in this area where Kindom Uranium has signed it, do you?

A Yes, sir.

Q And, in these instances, you have been able to successfully obtain communitization agreements from Kindom Uranium?

A Yes, sir.

Q You anticipate in this situation you will have no problem in this regard?

A None at all.

Q I believe you say that Southwest has drilled a well in the Northwest Quarter; has it been completed?

A Northeast Quarter.

Q Excuse me. Northeast Quarter. Has it been completed as



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yet?

A Yes, sir.

Q Is it surrounded by other wells completed in the Basin Dakota Gas Pool?

A Yes, sir.

MR. VERITY: I believe that is all of this witness.

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

MR. MORRIS: Yes, sir.

Q (By Mr. Morris) Mr. Jones, in the event either Mr. or Mrs. Moya asserted any claim in this acreage, what would be the extent of the claim that you anticipate?

A Well, I should say that legally the extent of the claim might be the entire working interest in the Southeast Quarter. Assuming that Juan were married and she failed to join in the assignment, there is some reason to believe the assignment might be a community.

MR. VERITY: And, assuming also, of course, that she had not entered into a separation, and further, assuming, if I might, that the lease stemming from them is valid.

MR. MORRIS: Yes, sir.

Q (By Mr. Morris) So, that would be --

THE WITNESS: In other words, we have a rather complicated title problem.

MR. MORRIS: I understand. I was just trying to understand to what extent the defect might extend.



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MR. VERITY: Well, if there is any defect, it would extend to half or possibly all of the working interest.

THE WITNESS: I'd say theoretically it could extend to the full working interest.

MR. MORRIS: Now, you mentioned an overriding royalty interest that was retained by Kindom at some point in the line. Now, just what was that, again?

THE WITNESS: Well, Juan signed the land to Kindom, who assigned the land to Southwest. As is usual in an assignment, they reserved an overriding royalty.

Q (By Mr. Morris) Now, that override is carved out of the working interest; is that correct?

A Yes.

Q So, Kindom is at present an owner of a working interest?

A I don't know if in New Mexico that is --

MR. VERITY: Provided their lease is valid.

THE WITNESS: If they recognize our override, and we'll pay it.

Q (By Mr. Morris) Are you force pooling? Are you asking today that this override be force pooled?

A No, sir.

Q Do you have an agreement with Kindom?

MR. VERITY: We anticipate there will be no problem to force pool.

THE WITNESS: Kindom has signed us all rights, title,



and interest reserving their override. There is no reason to believe they won't go along with us, because they have in the past.

Q (By Mr. Morris) In your Application, you have asked that any interest that might be owned by the Moyas be force-pooled and that you retain out of production 150 per cent of the cost attributable to that interest. Is that still what you are asking us to include in any order that we might issue stemming from this Hearing?

A Yes, sir.

Q Why do you think the 150 per cent is a proper figure?

A I really don't believe it is. I believe the figure probably should be considerably more than the 50 per cent; but the 50 per cent because it's the maximum allowable under Statute, I believe, where somebody assumes the risks, and puts their money up, and drills these wells, that they are entitled to that return on their money.

Q Do you feel that there is an unusual amount of risk in this well?

A Not now since it's already drilled and completed. I'd say that obviously since it's not completed as a producer there is no risk, but that was not true at the time George drew the Petition.

Q I believe, Mr. Verity will check me if I'm wrong --
No. Our Statute now provides that we must make a provision for

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supervision which can exceed 100 per cent; that we can grant what might be termed a bonus for risk not to exceed 50 per cent of the well costs, but that that 50 per cent is directly for risks.

A As a risk factor, yes.

Q Do you agree with that?

A I believe that is the interpretation I've been given.

Q You couldn't say at this moment, at least at this point of the Hearing of this case, that there is any risk?

A I would say that since the well has been drilled and completed as a producer, there is no risk.

Q If the Commission were to consider only changes for supervision, what would you require a reasonable change for supervision in excess of 100 per cent?

MR. VERITY: I object to this question because I don't believe it needs to be determined by the Commission. The Statute does not provide, does it, that this be determined by the Commission at the Hearing whether it's force pooled.

MR. MORRIS: Mr. Verity, I don't have a copy. Well, I do have a copy of the Statute, here, and it says that we shall determine.

MR. VERITY: That you shall determine the amount of the supervision costs?

MR. MORRIS: If I may read from my copy of the Statutes, 65-3-14 C. I don't want to read it all, but in effect. I will read a portion of it: "Such pooling order of the Commission shall



make a definite provision as to any owner or owners who elect not to pay his proportionate share in advance for the prorated pro-imburement solely out of this production to the parties advancing the costs of the development and operations which shall be limited to the actual expenditures required for such purchase not in excess of what are reasonable." -- and here I come to the pertinent part -- "But, which shall include a reasonable charge for supervision, and may include a charge for the risk involved in the drilling of such well which charge for risk shall not exceed 50 per cent of the non-consenting working interest owner or owners, prorate a share of the cost of drilling and completing the well."

MR. VERITY: I repeat my objection because I don't believe that at this time it's proper for the Commission to make a finding with regard to either the cost of supervision or the cost of completing the well. It is our position that the Statute provides that the Commission may pool the acreage and that they shall make a finding as to whether or not there are risks involved; but that this risk is a percentage and that you do not endeavor to determine at this time what supervision for completion or drilling costs are, but this is a matter that the parties are liable for once the interests have been force pooled; and after this has all been completed, if the parties have any difficulty or do not come to an understanding with regard to the percentage of production -- excuse me, not the percentage of production, but amount of production, that they take to reimburse themselves.



Then, the Commission, at that juncture, can make a determination as to whether or not the operator is requesting costs that are not actual costs as it is defined there.

MR. PORTER: Then, it is your provision, Mr. Verity, that here the Commission would just rule on the force pooling of this aspect without regard to --

MR. VERITY: All we think is that you should, or can, determine, as whether or not there is risk involved; and well, first whether or not it should be force pooled, and then whether or not there is risk involved, and if so, how much. And then, once that is determined, it's a matter of the actual costs of the operation that are recouped by the operator, either 100 per cent, a minimum of 100 per cent of only his actual expenditures and actual supervision costs plus any percentage that is allowed for risk. And, I can see that it's premature now to make a determination of these costs because they are not known, and it would not be a valid order for the Commission to set them to be a certain figure, either maximum, minimum, or actual, before they are known and can be determined. Then, once these costs are incurred, and an accounting must be kept, of course, we can take 100 to 150 per cent of these costs out of this production according to whether or not there is a risk factor involved. And, if the party who has been force pooled objects to them, he is entitled to a hearing. If he objects to the accounting that has been submitted to him.

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MR. VERITY, elsewhere in the Statute that I refer to, it does make the provision that in the event of a dispute relative to costs, then the Commission shall determine. And, I agree with you that the Commission has no business determining costs until a dispute arises. I find this difficulty, however, to reconcile myself to the thought that the Commission can not determine what would be a reasonable charge for supervision when it cites here, it seems to me, that the Commission shall do that.

MR. VERITY: Well, no reasonable cost. I mean, no supervision charges have been made at this juncture.

MR. MORRIS: No, but as you are aware, in past orders of the Commission relative to force pooling, the Commission has specified that the operator is entitled to recover 110 and in other cases 125 per cent of the costs of the development and operation of it.

(Continued following page.)

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MR. VERITY: And, you have fixed these percentages as supervision costs?

THE WITNESS: Yes, sir.

MR. VERITY: Well, I have no objection to fixing it. Certainly, I'm skeptical as to whether or not it's valid, but I will withdraw my objection.

THE WITNESS: Now, to answer your question: I do not know what Southwest's costs are. I was with Shell for 10 years, and I know that the costs with Shell ran from 10 to 20 per cent depending upon where the field was located and how many wells we had and such things as that. And, I just cannot tell you what Southwest would figure it.

MR. VERITY: Would you say it would be a minimum of 10 per cent?

THE WITNESS: Well, that was the expense with Shell. I should imagine with Southwest that it might be a little more than 10 per cent because they don't have as many wells or anything to handle as many as Shell did in these areas; and of course, the more wells you have the more efficiency you have because one man can take care of more wells that way. So, as time is allocated to more wells rather than to pure wells, and I

MR. UTZ: 10 per cent of what?

THE WITNESS: Of the cost of the well.

MR. UTZ: 10 per cent of the cost of the well?



THE WITNESS: Yes, as I figured that we had roughly used from 10 to 20. We always went for 20, but we would fight to the death at nothing less than 10 per cent in our operating agreement.

MR. UTZ: Are there any more questions?

Q (By Mr. Verity) On the operation of the well, did you also have 10 per cent minimum cost of operation over and above the actual expenditures?

A Well, we usually set it as a percentage of the costs of the well.

Q (By Mr. Morris) Mr. Jones, would Southwest Production be willing to submit to the Commission a statement of the well costs on the well on this unit?

A I see no reason why they wouldn't be willing to do so.

Q Would you be willing to furnish a copy of those costs to Mr. Moya?

A Surely.

MR. MORRIS: I have no further questions.

THE WITNESS: If one desires.

MR. MOYA: I guess -- Do I have the right to ask him any questions, Mr. Jones, in this case?

MR. MORRIS: Certainly, acting as an individual.

Q (By Mr. Moya) Mr. Jones, do you know these individual owners of these 20 acres? Do you understand, the units?

A Brimhall. I'm acquainted with Brimhall.



Q Is Mr. Brimhall -- I understand he has an outstanding lease before.

A Well, why, that's a part of the title probably that's involved in this. Are you aware of the title problem?

A Yes, I do. But as far as I know --

A I haven't litigated the matter, and I don't want to set myself up as a judge on the matter. Those people are contending your leases are not valid for various and sundry reasons, and that is why I went out and got new leases from each and every one of them for that reason, just to protect Southwest's rights.

Q Mr. Jones, did you go by what -- Do you go by what the lessee tells you or by the title to the land?

MR. VERITY: I believe, Juan, that -- I don't want to cut you out, but I believe it's just not material here on this question. The Commission can't -- Previously, at another hearing, this 20 acres which Brimhall claims the lease was excluded from this unit; and as I have explained to you before, the mineral owners out there can test the title to your lease; and as you know, we have settled all these problems the very best we could because we have worked it out with you and took an assignment from Kindom in order to protect the title. Then, we bought a lease from all of the landowners, except Brimhall with whom we couldn't deal; and have, as you know, we have entered into a stipulation with Kindom and this as set up and reserved an override for Kindom. And, you know this, and we're not con-

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testing your override in any way. It's been stipulated and agreed to, and this Hearing in any ways detract or endeavor to diminish the override that Southwest has stipulated and agreed to for Kindom Uranium. We are willing to pay it. We acknowledge it. We will submit a communitization agreement to Kindom as we have in the other cases so that the 140 acres of the Southwest Quarter will be communitized with the Northwest Quarter for this production. But, the problem is that: In order to be able to bank this well and proceed with development and production of it, we must remove the cloud from the title because of the difficulty of making record of the land situation created by your marital situation. Do you understand?

MR. MOYA: Yes, I understand.

Q (By Mr. Moya) It is claimed that you have a good title on a hundred and all of the complete Southeast Quarter, there is no paper in the south?

A There is no record in the Courthouse in any County in New Mexico.

Q But, this particular lease is being counseled, and therefore you are holding a good lease there in the Southeast Quarter equivalent to around 160 acres. At the moment, you still have that. So, just by leaving out that 20 acres, I mean, I don't see what Southwest is so afraid about. They seem to exclude these.

MR. VERITY: We are not excluding these 20 acres at



this Hearing, Juan. The Hearing with the non-standard unit was previously held, and the Commission entered an order that established this non-standard unit, being Order R-1991. And, if we can get as a matter of record that Order, if we can ever work out anything reasonable with Brimhall why we are going to include that 20 acres in this unit.

THE WITNESS: And, your override will attach --

MR. VERITY: And, your override will attach according to our stipulation. And, we are endeavoring to work through Brimhall's attorney in Arizona and come up with a reasonable relationship with regard to that 20 acres.

THE WITNESS: In case you Gentlemen are interested, because you wanted to you, I contacted his attorney two weeks ago, and we arrived at satisfactory terms; but he is having a little trouble getting Mr. Brimhall to agree to the terms that we worked out.

MR. MORRIS: I see.

MR. UTZ: Mr. Moya, are you questioning the validity of the lease on Brimhall's 20 acres? Is that the point of your question?

MR. MOYA: I just wanted to find out. This particular question on the Application, I just want -- I have another question.

Q (By Mr. Moya) Mr. Jones, I have never read this Application, in fact, but the Commission -- the cost of super-



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vision in this well. Since, I presume, if Mrs. Moya will contest this cost --

A Well, I think I can say, Juan, that if Mrs. Moya signs the papers, there will be no cost of supervision because the reason for the request will have been removed. But, until she does, we've got to take this means of seeing to it that her interest is subject to the well so we can draw our allowable on it. Once she signs the papers that we have furnished you there are no longer any problems. There will be no cost of supervision or anything else; that we will, then have as full working interest, and all we would be doing is charging ourselves with the cost.

MR. VERITY: This Hearing will become entirely moot, Juan, if she signs the papers that I placed in your hands last week.

MR. MOYA: You mean, that order for Mrs. Moya, if she signs it everything will be all right?

MR. VERITY: Yes.

MR. MOYA: But, what if she does not sign it?

MR. VERITY: Then, you will submit a cost of the well supervision to the Commission.

MR. MOYA: I have one more question.

Q (By Mr. Moya) Do you say it's a well already completed in this location?

A Yes.

Q Do you anticipate any further cost in the well now?



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A Well, the cost of supervising it, you know, of operating the well.

Q How about the cost of the working of the well, I mean, the completion costs?

A No. Those costs have all been met. The well has been completed, so it's --

MR. MOYA: That is all.

MR. UTZ: Are there any other questions?

MR. MORRIS: One more.

Q (By Mr. Morris) Mr. Jones, who was the royalty owner under this 300 acres that we are considering?

A There are several.

Q But they have been taken care of?

A As I tried to explain to Juan, this is a matter to insure that all possible outstanding interests under that tract of land is subject to our right to drill and produce the well.

Q The only interests that we're concerned with here today is the possible claim of the Moyas?

A Of the Moyas. Now, Juan has signed an assignment, but Mrs. Moya has failed to do so.

Q Which might void it?

A There is a possibility that the transaction might be --

MR. VERITY: To answer Mr. Utz' question addressed to Mr. Moya, Brimhall does contest Kindom Uranium's lease which was assigned by Kindom to Mr. Moya. And, so that we don't drill a



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well and then have a lawsuit about it, Southwest has acquired title from both sides of this controversy except Mr. Brimhall, and we are negotiating with him.

MR. UTZ: I just didn't want us to get in a position of trying to decide the title.

MR. VERITY: We are not asking you to, and we understand. But, if it should result in that eventuality, we would contest. And, we don't think it will, but it would resolve that the title of Kindom would fail, and their title was good then, the Commission will have pooled these interests for this well.

MR. MORRIS: Mr. Verity, do you think that it would be proper for the Commission to enter an order something to the effect recognizing the constituency of the claim of the Moyas and pooling?

MR. VERITY: I think it's proper. I don't think it's necessary that you recognize it because I think you could do it either by saying that all interests are force pooled or, and then this leaves us to --

MR. MORRIS: Determine who has the interests?

MR. VERITY: Determine who that is. And, if we have title, we will select under that; and if we don't have, we will rely upon the order; but I think it would be perfectly proper for the Commission to say that there are force pooling contingent interests not owned by the applicants.

MR. MOYA: You say you have a new lease from these



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people. This new lease does include the mineral rights?

MR. VERITY: No. The lease from the new people that we took, Juan, only covered the rights below the base of the Pictured Cliff. And, as I had explained to you many times before, we are just not taking any sides in that controversy. We just don't want to find ourselves in the middle of it. And so, we have made what was an amicable settlement and arrangement with you, and then in addition to that, we have gone and made a settlement with them so that whatever happens we won't have someone come in and take a gas well away from us.

MR. UTZ: Do you have any more questions, Mr. Morris?

MR. MORRIS: No.

MR. UTZ: The Witness may be excused. Are there other statements in this case?

MR. VERITY: I think, Juan, why don't you be sworn and let me ask you a question or two.

JUAN J. MOYA,

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

CROSS-EXAMINATION

BY MR. VERITY:

Q Will you please state your name?

A John J. Moya.

Q Your name is Juan J. Moya, right?

A Yes, sir.



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Q Do you know Helen Moya?

A Yes.

Q Is she your wife?

A She is my former wife.

Q Your former wife. Were you divorced from her?

A Yes.

Q Where did this take place?

A At Minneapolis, Minnesota.

Q And, when did it occur?

A Sometime in 1955.

Q You, at one time, owned oil and gas leases covering the entire mineral interest underlying the Southeast Quarter of Section 7, 30 North, 11 West, San Juan County, New Mexico.

A Yes, sir.

Q Did you assign all of this interest to Kindom Uranium Corporation?

A Yes, sir.

Q Was this Assignment executed and delivered after your divorce from Helen Moya?

A It was executed before.

Q Before your divorce from Helen Moya?

A Excuse me. I'm sorry.

Q Let me rephrase the question. Were you divorced from Helen Moya prior to the time that you executed and delivered the last assignment to Kindom Uranium?



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A Repeat the question, please?

Q Maybe I have confused you. I desire to establish whether your divorce was first or your assignment to Kindom Uranium Corporation was first. Tell us which event took place first?

A Exactly, I couldn't tell you. It was about the same, a question of two or three days between one and the other. I couldn't tell you, exactly.

Q Well, previously, Juan, you have told us, haven't you, that you were divorced from her at the time you executed and delivered the gas units.

A Yes, and I still believe this.

Q So, what you are saying is that the Assignments came after your divorce?

A Yes.

Q And, in your divorce, you were granted all of the New Mexico property, were you?

A No.

Q Well, you were -- This 160 acres being the Southeast Quarter of Section 7, 30 North, 11 West, was given to you in the divorce?

A Yes.

Q Did you have a divorce settlement?

A Yes.

Q And, did your wife, Helen, agree that this property



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would be yours?

A Yes.

Q And, she signed a paper to this effect, did she?

A Yes. We both signed an Assignment to Kindom Uranium.

It was signed and notarized in Santa Fe, here.

Q And do you know where that paper is?

A I don't know. She kept those papers. It was supposed to have been recorded.

Q Do you know where Helen Moya is?

A I believe in Minneapolis.

Q Do you know what her address is?

A No, I don't know the address.

Q Do you know where she lives?

A I understand she was living in Cleveland, Ohio. At the present time, she is visiting her sister in Minneapolis.

Q You think that her residence is in Cleveland, do you?

A I believe so.

Q It's in Cleveland proper, or one of the suburbs, do you know.

A I think some of the suburbs in Cleveland.

Q Do you know which one?

A I understood it was Shaker Heights.

Q Shaker Heights?

A Yes.

Q Juan, when did you last see Helen Moya?



A About four and a half years ago.

Q Have you talked to her recently?

A Yes, sir; I have talked to her on the telephone.

Q But, you don't know where to locate her?

A Yes. We're supposed to have a meeting, now, in Minneapolis.

Q But, you don't know where she lives or where you could locate her there other than at this meeting?

A No, it's through her sister in Minneapolis. That's as far as I know.

Q Is Helen Moya's name still Helen Moya, or has she been remarried?

A I do not know, exactly.

Q Do you know her sister's name?

A Yes, Mrs. Johnson, Mrs. Myrt Johnson.

Q Do you know what her address is?

A The address they gave me on the phone was Raddison Hotel.

Q About the best address that you would know at this time for Helen Moya would just be Cleveland, Ohio, or possibly in care of Mrs. Myrt Johnson, temporarily in care of Mrs. Myrt Johnson at Minneapolis, Minnesota?

A Yes, sir.

MR. VERITY: I believe that is all.

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



MR. VERITY: Oh, excuse me. One more question.

Q (By Mr. Verity) Mr. Moya, you don't object to the Commission granting this order today, do you?

A No, I don't with the provisions that the Commission has expressed.

Q And so far as you know, Helen Moya doesn't object to it?

A I couldn't speak for her.

MR. VERITY: All right. That is all.

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

The Hearing is adjourned.

(Whereupon the July 19, 1961 session was concluded at 2:30 P.M.)

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STATE OF NEW MEXICO)
COUNTY OF BERNALILLO)

I, MICHAEL P. HALL, 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 19th day of July, 1961.

Michael P. Hall
Notary Public-Court Reporter

My Commission expires:
June 20, 1965

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of case No. 2343, heard by me on *July 19, 1961*.
Michael P. Hall, Examiner
New Mexico Oil Conservation Commission

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July 19th

Case 2343

GEO. L. VERITY
ATTORNEY AT LAW
SUITE 182 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO
TELEPHONE DAVIS 5-0203

June 20, 1961

Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

Re: Case No. _____
My file #1320-L.

Application of Southwest Production
Company for force pooling of all
interests in the non-standard gas
proration unit of the Basin-Dakota
Gas Pool, in San Juan County, cover-
ing the East 1/2 of Section 7, Twp.
30 N., R. 11 W., except the South
1/2 of the SW 1/4 of the SE 1/4 thereof.

I have just forwarded the captioned application for force
pooling with the request that it be filed, set down for hearing
and notice given.

I desire to supplement the application by stating that the
interested parties and their addresses are as follows:

John J. (Juan J.) Moya
c/o The Klothes Horse
725 East Ute Street
Farmington, New Mexico;

Helen Moya
Cleveland, Ohio.

Docketed
Mailed
7-7-61
R

Please take this into account in regard to making notice of the
hearing on this application.

Yours very truly,

[Signature]
Geo. L. Verity

GLV/m