

BEFORE THE
Oil Conservation Commission

SANTA FE, NEW MEXICO
August 17, 1955

IN THE MATTER OF:

CASE NO. 936

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 17, 1955

IN THE MATTER OF:

Application of Basin Natural Gas Corporation for compulsory communitization of the SW/4 Section 13, Township 29 North, Range 11 West, San Juan County, New Mexico, adjacent to Aztec-Pictured Cliffs Gas Pool or in the alternative applicant would seek approval of an 80-acre non-standard drilling and gas proration unit, to consist of the S/2 SW/4 of said Section 13.

Case No. 936

BEFORE:

Honorable John F. Simms
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 936.

MR. CHAVEZ: If the Commission please, in Number 936, my name is David Chavez, Jr. and I represent Basin Natural Gas Corporation, a New Mexico Corporation. I would like to have my witness, Mr. Umbarger sworn.

F. B. U M B A R G E R ,

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

DIRECT EXAMINATION

By MR. CHAVEZ:

Q Please state your name for the record.

A F. B. Umbarger.

Q Are you connected with Basin Natural Gas Corporation?

A Yes, sir.

Q In what position?

A President.

Q Are you the president of the corporation?

A Yes, sir.

Q Where are your offices?

A Aztec, New Mexico.

Q Where are you operating and where have you been operating during the last year or year and a half?

A Mostly in the Aztec area, Bloomfield.

Q Are you familiar with the lease ownership of the southwest quarter of Section 13, Township 29 North, Range 11 West in San Juan County, New Mexico?

A Yes, sir.

Q State briefly to the Commission the ownership of that quarter section, that is the southwest quarter.

A It is owned by Mrs. Gale, Mr. and Mrs. Cordova, Martinez, the School Board in Bloomfield and the Federal Government, and Francis Harvey.

Q Do you own part of that quarter section?

A We have a lease three - 40 acres. I want to modify that statement, that we have not yet received our papers from the Land Department on 40 acres of it, but we were the successful bidders.

Q Just briefly, are you the owner of the south half of the southwest quarter of that section?

A Yes, sir, of the oil and gas lease.

MR. GURLEY: On the names and the testimony you just gave, would you give complete names when you testify as to the ownership?

MR. CHAVEZ: Can I proceed and then we can go back to that.

MR. GURLEY: Sure.

Q Are you an owner of it under an oil and gas lease of the south half of the southwest quarter of Section 13?

A Yes, sir.

Q Who owns the northeast of the southwest quarter, if you know?

A The Bureau of Land Management, Federal Government. We own the lease.

Q Explain briefly to the Commission the status of that 40 acres that is the northeast of the southwest quarter which you say is Federal land?

A The bids were opened on the purchase of the lease of that property a week ago, I believe, last Thursday. We were the successful bidders at \$16.20 an acre.

Q Who were the other two bidders, do you recall?

A Francis Harvey bid, I don't know what price per acre, and the El Paso Natural Gas bid \$15.00 an acre.

Q You were the highest bidder?

A Yes.

Q Has the lease been issued as yet?

A No, but they have cashed the cashier's check we submitted with the bid.

Q Do you expect the Federal Land Office to issue you that lease in due course for that 40 acres?

A Yes, sir.

Q Who is the owner, if you know, of the northwest of the southwest quarter?

A The lease, according to our records, is issued to Francis

Harvey, as near as I can recall. I don't have the abstracts here, so

I can't tell you exactly the ownership at this present moment.

Q If you remember, the owner of the south half of the southwest quarter, the government owns 40 acres, the only 40 acres left out of the 160 acres is the 40 acres of Mr. Harvey?

A That is right.

Q When you gave these names, what were those names that you were giving us there as to ownership?

A They are the owners of the property in fee titles.

Q Of what property? They are not the owners of the 40 acres that belong to the government?

A The south half of the property.

Q The south half of the southwest quarter?

A Yes, sir.

Q You have an oil-gas lease from all of the owners of that property?

A Yes, sir.

Q Will you state the names that you gave awhile ago in the record as the people from whom you obtained the oil and gas lease on the south half of the southwest quarter of Section 13?

A Mrs. May Gale owns, I think it is 38 acres in the southwest of the southwest of 13. Mr. Martinez owns two acres.

Q Do you know his full name?

A No.

Q Do you know his first name?

A No, I don't.

Q Proceed.

A The Bloomfield School District owns an acre. Mr. and Mrs.

Marion Cordova own approximately 39 acres in the southeast of the southwest.

Q Are those the only owners?

A Yes.

Q As far as you know, and you were informed you have, as I understand it, the oil and gas lease on all the south half of the southwest quarter of Section 13?

A Yes.

Q What efforts have you made to obtain Mr. Harvey's consent to join in the communitization of this 160 acres?

A We wrote him a letter.

Q And in the drilling of a well?

A Yes, sir, we have a return receipt for that letter in our files here.

Q Briefly what did you state to him in that letter? Did you advise him that you wanted to communitize this 160 acres for drilling purposes?

A Yes, sir.

Q Did he reply to that letter?

A No, sir, not that I know of.

Q Have you contacted him personally?

A No, sir.

Q Have you had any communication with him, either in writing or verbal?

A Only the sending of that registered letter.

Q Does this southwest quarter of Section 13, Township 29 North, Range 11 West lie within the area the Commission has determined that for the conservation of natural resources, require 160-acre spacing

units?

A Yes.

Q Do you believe that communitization of that 160 acres is necessary to permit the owner of each tract to recover his just and equitable share of the gas underlying the 160 acres?

A I believe everybody should be given a fair deal on everything.

Q Have you done any drilling operations on the south half of the southwest quarter of Section 13?

A Yes, sir.

Q Under what authority did you do that?

A I have a letter from the Oil Conservation Commission authorizing me to go ahead to drill the property to save my leases.

Q For the purposes of the record, let me have that letter. Let me insert it in the record. The letter that you have just referred to, is that the letter dated July 1, 1955 addressed to Basin Natural Gas Corporation?

A Yes, sir.

Q Signed by W. B. Macey, the Secretary-Director of the New Mexico Oil Conservation Commission?

A Yes.

Q When did you commence the drilling of that well, more or less?

A About two weeks ago.

Q Is the well completed?

A Excuse me -- Just about ten days, two weeks or ten days, I can't give you the exact day. I can get the log here, if you wish it.

Q What is the status of that well?

A It is cemented in. Long string is cemented.

Q What does that mean? Have you completed the well?

A No, sir. We have drilled to the top of the producing zone and set the long string on top of the producing zone, and set it, and bring it in with cable tools.

Q How long will it take to complete the well?

A We are moving the cable tools on there this morning.

Q How deep are you?

A Casing is set at 1608.

Q 16 --

A 1608.

Q How much of a job will it be to complete the well?

A In the next three or four days.

Q Have you any idea as to when the Bureau of Land Management will issue the lease on the 40 acres that you were the highest bidder of?

A I was going up there to see them this morning.

MR. CHAVEZ: I think that is all.

MR. MACEY: Any questions of the witness?

MR. GURLEY: I would like to ask one question.

CROSS EXAMINATION

By MR. GURLEY:

Q You stated that you wrote Mr. Harvey a registered letter?

A Yes, sir.

Q That you received no answer?

A Not that I know of.

Q Did you receive the receipt indicating that he was in possession of the registered letter?

A Yes, sir.

MR. GURLEY: That is all.

MR. MACEY: Anyone else have a question of the witness?

MR. CHAVEZ: For the purpose of the record, I would like to include two more letters showing that I wrote to Mr. Harvey.

(Marked Basin Natural Gas Corporation's Exhibits 1, 2 and 3, for identification.)

MR. MACEY: As I understand it, and you correct me if I am in error, you have a lease on the south half of the southwest quarter, and you also potentially are the oil and gas owner on the lease of the northwest quarter when the government issues that lease?

A Yes, sir.

MR. MACEY: The only outstanding 40 acres owned by Mr. Harvey, being the --

A Yes.

MR. MACEY: In what zone are you going to complete the well?

A We test the Fruitland first, and if no production we will go down to the Pictured Cliff.

MR. MACEY: If later on Mr. Harvey should, or anyone else who happens to own that particular lease should desire to drill a well on their 40 acres, would you have an objection to them drilling a well on their 40 acres?

A I would object to them if they stopped at either the Fruitland or Pictured Cliff, or whichever sand we are producing from.

Q Why?

A If that is the case, why can't we drill on every 40 acres throughout the country?

Q You can except the allowable would be reduced to one-fourth.

A I don't believe it is a proper thing to space that property in 40-acre spaces.

MR. MACEY: I agree with you.

A That is my opinion.

MR. MACEY: What I am trying to determine is another factor. Would you have any objection to Mr. Harvey joining you insofar as the cost of your well, the one-fourth of the cost of your well?

A I wrote, I believe, in my letter to that effect, that he could join us. However, I feel that it should be compensated for the gamble that we take besides his proportionate share of the cost of the well.

Q MR. MACEY: If it was necessary you would let him join, provided he joined on a satisfactory basis to you?

A I think I wrote in my letter just how I felt about that matter.

MR. MACEY: That is all I have. Anyone else? If no further questions the witness may be excused.

(Witness excused.)

MR. MACEY: Do you have anything further?

MR. CHAVEZ: No, that is all.

MR. MACEY: We will take the case under advisement.

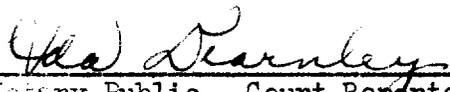
GOVERNOR SIMMS: If you would like to have the original letter back, we have a copy in our files.

(Exhibit No. 1 is withdrawn, copy in the Commission file.)

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 19th day of August, 1955.



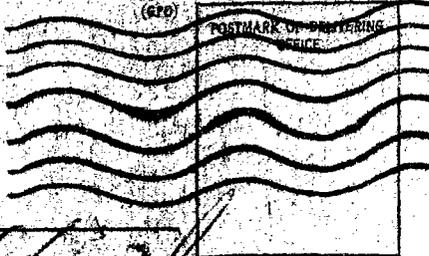
 Notary Public, Court Reporter

My Commission Expires:

June 19, 1959

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PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, \$300



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REGISTERED ARTICLE

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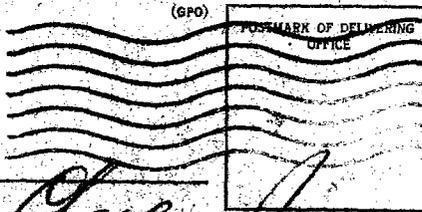
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Value \$ 11 Spec. del'y fee \$

Fee \$ 40 Rel. receipt fee \$ 7

Surcharge \$ Resl. del'y fee \$

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Postmaster, By

From David Clancy Jr.

To William H. Smith, III

POD Form 3806
MAY 1954

09-16-70483-1

POSTMARK

REGISTERED NO. 9

Value \$ 10 Spec. del'y fee \$

Fee \$ 40 Rel. receipt fee \$ 7

Surcharge \$ Resl. del'y fee \$

Postage \$ 7 Airmail

Postmaster, By

From [Signature]

To [Signature] 158 S
Rd

POD Form 3806
MAY 1954

09-16-70483-1

REGISTERED NO. 11

Value \$ 40 Spec. del'y fee \$

Fee \$ 40 Rel. receipt fee \$ 7

Surcharge \$ Resl. del'y fee \$

Postage \$ 7 Airmail

Postmaster, By

From David Clancy Jr.

To Francis [Signature] Jr. 99c

POD Form 3806
MAY 1954

09-16-70483-1

POSTMARK

REGISTERED NO. 229

Value \$ 40 Spec. del'y fee \$

Fee \$ 40 Rel. receipt fee \$ 7

Surcharge \$ Resl. del'y fee \$

Postage \$ 7 Airmail

Postmaster, By

From [Signature]

To [Signature] 158 S
Rd

POD Form 3806
MAY 1954

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