

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
May 16, 1956

IN THE MATTER OF:

CASE NO. 1069

TRANSCRIPT OF PROCEEDINGS

DEARNLEY-MEIER AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 16, 1956

IN THE MATTER OF:)

Application of the Oil Conservation Commission)
upon its own motion for an order calling for the)
plugging of a well in the event the operator and)
surety company fail to show cause why such order)
should not be entered. Applicant, in the above-)
styled cause, seeks an order directed to George)
A. Sweetman and John A. Aday and to American Em-)
ployers' Insurance Company declaring the D'Spain)
No. 1 Well, located in the NE/4 NW/4 Section 12,)
Township 6 North, Range 6 East, Tarrant County,)
New Mexico, abandoned and ordering it plugged,)
and directing said George A. Sweetman and John)
A. Aday and American Employers' Insurance Com-)
pany to appear before the Oil Conservation Com-)
mission at 9 o'clock a.m. on May 16, 1956, and)
show cause why such order should not be issued.)

Case No.
1069

BEFORE:

Mr. A. L. Porter
Mr. E. S. (Johnny) Walker

TRANSCRIPT OF HEARING

MR. PORTER: The next case will be 1069.

MR. GURLEY: Case 1069 is the application of the Oil Con-
servation Commission upon its own motion for an order calling for
the plugging of a well in the event the operator and surety company
fail to show cause why such order should not be entered.

If it please the Commission, at this time the parties in this
case have consulted on the matter and they are attempting to
reach an agreement as to just how the well should be plugged within
the rules and regulations of the Commission, and they are both
agreeable and I therefore move we continue the case until the
regular June hearing.

MR. PORTER: Is there objection to the continuance of Case 1069? It will be continued to June 14.

C E R T I F I C A T E

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 22nd day of May, 1956.

Ada Dearnley

Notary Public-Court Reporter

My commission expires:
June 19, 1959.

MAIN OFFICE OCC

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SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1069

TRANSCRIPT OF PROCEEDINGS

DEARNLEY-MEIER AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 14, 1956

IN THE MATTER OF:)

Application of the Oil Conservation Commission)
upon its own motion for an order calling for)
the plugging of a well in the event the opera-)
tor and surety company fail to show cause why)
such order should not be entered. Applicant,)
in the above-styled cause, seeks an order dir-)
ected to George A. Sweetman and John A. Aday)
and to American Employers' Insurance Company)
declaring the D'Spain No. 1 Well, located in the)
NE/4 NW/4 Section 12, Township 6 North, Range 6)
East, Torrance County, New Mexico, abandoned and)
ordering it plugged, and directing said George A.)
Sweetman and John A. Aday and American Employers')
Insurance Company to appear before the Oil Con-)
servation Commission at 9 o'clock a.m. on May 16,)
1956, and show cause why such order should not)
be issued.)

Case No.
1069

BEFORE:

Mr. A. L. Porter
Mr. E. S. (Johnny) Walker
Honorable John F. Simms, Jr.

TRANSCRIPT OF HEARING

MR. PORTEE: The next case will be Case 1069.

MR. GURLEY: Application of the Oil Conservation Commission upon its own motion for an order calling for the plugging of a well in the event the operator and surety company fail to show cause why such order should not be entered. Applicant, in the above-styled cause, seeks an order directed to George A. Sweetman and John A. Aday and to American Employers' Insurance Company declaring the D'Spain No. 1 Well, located in the NE/4 NW/4 Section 12, Township 6 North, Range 6 East, Torrance County, New Mexico, abandoned and ordering it plugged, and directing said George A.

Sweetman and John A. Aday and American Employers' Insurance Company to appear before the Oil Conservation Commission at 9 o'clock a.m. on May 16, 1956, and show cause why such order should not be issued.

We have one witness for the Commission.

D A N N U T T E R

having first been duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. GURLEY:

Q Would you state your name, please?

A Dan Nutter.

Q What is your position?

A Petroleum Engineer with the Oil Conservation Commission.

Q You have qualified before this Commission before?

A Yes, sir, I have.

Q In your official capacity as engineer for the Oil Conservation Commission in New Mexico, have you had an opportunity to investigate the factual situation involving this case?

A Yes, sir, I have.

Q In said investigation, Mr. Nutter, when did you find that the D'Spain No. 1 well commenced drilling operations?

A This well was commenced April the 30th, 1952, according to our records.

Q When was this well abandoned?

A The last report that we had of any work being done on the well to complete it as an oil well was in November or December of 1954.

Q Mr. Nutter, have you received any agreement or papers of

agreement as required by Rule 203 concerning leaving this well as a fresh water well?

A We've discussed this matter with the land owner and with the operators who drilled the well. However, as yet there has been no agreement reached on our affidavit of responsibility for conversion of the well to a water well. However, the well will not probably ever be completed as an oil well and I recommend that the Commission enter an order ordering it plugged in accordance with the proper rules of the Commission. However, I believe that the land owner wants to make a statement with reference to plugging the well up to the water sand. He wants it for his use as a water well.

Q Have you received, as required by Rule 203, any papers of agreement among the parties, that is has it been filed with the Commission?

A No, sir, it has not been filed with the Commission.

Q To leave it as a water well?

A No, sir, it has not been filed with the Commission yet.

MR. GURLEY: That is all.

MR. PORTER: Anyone have a question of Mr. Nutter? The witness may be excused.

(Witness excused.)

MR. PORTER: The next witness, please.

MR. COKER: I am Gordon Coker of Coker, Boyd and May in Albuquerque, and I represent the lessor, Mr. D'Spain. We would like for him to take the witness stand.

MR. PORTER: Yes, sir.

C E C I L D' S P A I N

having first been duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. COKER:

Q Will you please state your name to the Commission?

A Cecil D' Spain.

Q Mr. D' Spain, are you the owner of the land involved where this well drilled by the partnership of George A. Sweetman, John Aday and W. Parnall was drilled? A I am.

Q I hand you this instrument and ask you to state what that is, please.

A That is a lease and supplemental drilling contract.

Q That is executed by yourself as lessor and the other parties as lessees? A Yes, sir.

MR. COKER: If the Commission please, we move for the admission of the lease and the supplemental agreement which provides for turning over of this well.

MR. PORTER: Are there objections to the admittance of this exhibit? If not it will be admitted.

Q Mr. D' Spain, were you paid any consideration for this lease and the supplemental agreement? A No.

MR. COKER: If the Commission please, this lease is dated the 29th day of January, 1952 on the regular Form 88, Producer's Revised, New Mexico Producers Oil and Gas Lease, which among other things provides for the continuance of operations with due diligence; attached to it and a part thereof is a supplemental drilling agreement, among other things, which provides that the undersigned parties agree that if a well is drilled and no production is had, but instead a supply of water in useable quantities is reached, that such well will be preserved for the use of the lessors according

to the regulations of the governing State body.

Q Now, Mr. D' Spain, since this well was abandoned on or about November, 1954, have the operators done any work whatsoever?

A No.

Q Now, it is my understanding that there is a string of tools lost in the well at approximately 700 feet?

A Yes, sir.

Q What is the total depth of the well approximately, if you know?

A 1,343 I believe was the figure.

Q State to the Commission if you know if there was a water-sand encountered above the lost tools in this well.

A I don't know whether it was a water-sand or just a crevice. There is not much sand in that water, that particular part of the country. It was usually water found and crevices.

Q Was water found in domestic quantity?

A Yes.

Q At what depth? A I think somewhere, 322.

Q Do you need this water for your ranch?

A I certainly do.

Q Covered in the lease is covered 1510 acres of land?

A Yes.

Q I understand that you are hauling water for your livestock and household use? A I certainly am.

Q You have discussed this matter with Mr. Sweetman and Mr. Aday, have you not? A Yes, sir.

Q Have you reached an agreement with Mr. John Aday regarding the turning over of the well to you?

A We agreed that it would be turned over to me.

Q You have entered into a contract and agreement with Mr. Aday, have you not, to purchase his rig and whereby you can plug the well yourself?

A Yes, sir.

Q Have you discussed this matter with the engineer for this Commission, plugging the well?

A I think so. I am not sure whether we did, but I think we did.

Q Have you discussed the matter of tying this well and plugging it with Mr. Sweetman, Mr. George Sweetman, a party to the agreement?

A He wouldn't agree to any part of it.

Q I understand Mr. W. M. Parnell, who is a party, is now deceased?

A That is right.

Q You have been unable to reach an agreement with Mr. Sweetman?

A Yes.

Q At this time it is your desire, as I understand, for an order of the Commission ordering and directing the plugging of the well at approximately 400 feet?

A Yes.

Q In accordance with the rules and regulations of the Commission, so you may use the well as a water well?

A Yes, sir.

Q You have agreed to do, and have reached an agreement with Mr. Aday who is one of the bonded operators, and the consideration is settled between you two?

A That is right.

Q But not with respect to Mr. Sweetman?

A That is right.

Q It is impossible for you to arrive at an agreement with him?

A Yes.

MR. COKER: I think that is all.

MR. PORTER: Any questions?

MR. GURLEY: Yes, I have some.

CROSS EXAMINATION

By MR. GURLEY:

Q Have the drillers made any attempt to come on your land to plug this well?

A No, sir, they came up there and was measuring it, but they have made no attempt to plug it.

Q Have you had any conversation with them about the plugging of it?

A I have. It all reverted back to the same thing, that Mr. Sweetman when he would agree to something, by the time we would get things wrote up, he wouldn't agree to that, he wanted something else. It has been a continuation of practically give him everything. but the deed to the place to get him to turn the water well over to me.

Q Have you at any time attempted to file this lease in which the agreement was made that there would be left to you this water well should there be no production of oil?

A I didn't understand the first part of your question.

Q Have you made any attempt to file with the Commission under the Rule 203 of the Commission's Rules and Regulations, have you made an attempt to file this lease before with the Commission?

A Well, I don't know. I have filed the lease with them, I think that they have seen the lease. I had a copy made of the lease this last week, but I didn't think I had time to get it up here and Mr. Coker has it there.

MR. GURLEY: That is all I have.

By MR. NUTTER:

Q Is this well located in a declared water basin as declared by the State Engineers' Office? A I believe it is.

Q Do you have a permit from the State Engineers' Office for the completion of a water well there? A I do.

MR. PORTER: Any questions? If no further questions, the witness may be excused.

(Witness excused.)

MR. PORTER: Do you have another witness?

MR. COKER: I believe I would like to call Mr. Aday.

J O H N A D A Y

having first been duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. COKER:

Q Mr. Aday, you were present during the testimony of witness D' Spain, were you not? A Just now?

Q Yes. A Yes.

Q And you are familiar with the exhibit which has been introduced in evidence as the Oil and Gas Lease, and the Supplemental Agreement concerning the drilling of this well and the turning of the water well in the event of a dry hole to Mr. D' Spain?

A Yes.

Q You are a party to both of those instruments, are you not, as one of the lessees? A Yes.

Q And Mr. Parnell is now deceased?

A That is my understanding.

Q I submit to you, Mr. Aday, a contract and agreement dated May the 25th, 1956, and ask you if that is a contract between you and Mr. D' Spain with reference to the turning over of the well

insofar as you are concerned?

A That is right.

Q To him for a water well?

A That is right.

Q Stating the consideration that he is to plug the well at his expense and that you are delivering to him certain consideration, the tools and so forth, as a part of the consideration for his doing that?

A Yes. I sold him the rig and in the deal, well, he was going to take over this --

Q (Interrupting) Obligation?

A Yes. Of course, we haven't, this obligation, we haven't got it signed up yet.

Q Well, of course, any contract or agreement you make with Mr. D' Spain is subject to the approval of the Commission with respect to plugging that well, and the plugging of it is going to be supervised.

A That is the way I believe.

Q You did have a plugging bond?

A That is right.

Q And of course your bonding company is concerned about the matter too? As far as you are concerned as the lessee in this contract and agreement, it is your desire to carry out your contract with Mr. D' Spain and turn this well to him as a dry hole?

A That is right.

Q Which does have water potential?

A That is right.

Q Do you know whether or not Mr. Sweetman is present at this hearing?

A Well, I haven't seen him and I understand by Mr. Nutter that he wouldn't be present.

MR. NUTTER: He called and said he wouldn't be here.

Q Have you been present in any discussion with Mr. Sweetman and Mr. D' Spain with respect to trying to settle and compromise this matter?

A Yes, I have. It is like Mr. D' Spain says, we think we get something settled, well, he wants something else then, so we haven't yet, as yet got this paper turned over to Mr. D' Spain.

Q In other words, Mr. Aday, two or three occasions you have arrived at an agreement that was satisfactory to all three of you?

A I thought so.

Q When that agreement has been reduced to writing there has been objection raised, new objection by Mr. Sweetman?

A Well, it's in one case, well, in the first case, well, the papers didn't suit Mr. D' Spain and then since then they haven't suited Mr. Sweetman. Therefore, we just haven't got --

Q (Interrupting) Would you state, I don't know if the Commission would be concerned with it, but the consideration of the plugging of this well at his expense, he is to receive certain pipe in the hole?

A That is what Mr. Sweetman and I decided. Of course, at one time Mr. D' Spain, I talked to him, we didn't go into details and he said he would plug it for half the casing. We didn't go into details on it and you, as his lawyer, he said he would have you look at it, but after you looking at it he didn't.

Q He had to pull the pipe that he was to receive?

A Yes.

Q And also to plug the well satisfactorily to the engineer and this Commission. There is no conflict, I understand, at all now between you and Mr. D' Spain, nor has there really ever been?

A Well, there has been on, you know, more or less some. But as far as this is concerned though, we are in agreement to turn it over to him.

MR. COKER: I don't know if the Commission would be concerned about the private agreement between the parties or not.

Q But all the matters have been settled between you now, subject to satisfying Mr. Sweetman and Mr. D' Spain with reference to any claimed interest he may have in the pipe in the hole?

A Well, he now, and I talked of turning this over to Mr. D' Spain and that's all I know about it.

Q You live in that locality, don't you?

A Yes.

Q Do you know whether or not Mr. D' Spain needs that water?

A Well, it is like some gentleman said, all the people in the southwest need water.

MR. COKER: We offer this contract and agreement.

MR. PORTER: Without objection it will be admitted.

MR. COKER: We submit to the Commission that the parties which we have no complaint against Mr. Aday to reread the paragraph in supplemental agreement which was issued coincidental to the date of the lease on January, 1952. "The undersigned parties", that includes Mr. Sweetman who is not here this morning, "The undersigned parties agree that if a well is drilled and no production is had but instead a supply of water in useable quantities is reached, that such well will be preserved for the use of the Lessor according to the regulations of the governing state body."

That is what Mr. D' Spain wants. He wants this water. well, naturally, because it is valuable to him and to his 1510 acres.

I believe that is about our position.

MR. PORTER: Anyone else have a question of Mr. Aday?

MR. GURLEY: I would like to question the witness.

CROSS EXAMINATION

By MR. GURLEY:

Q What is the present condition of the well, Mr. Aday?

A Well, I don't know exactly what you have reference to there, but the six inch casing is in the hole.

Q Well, now, have you or Mr. Sweetman at any time since the ceasing of operations on this well made an attempt to go on to Mr. D' Spains property and plug the well or make it into a water well?

A Well, it's like I said, we went up and measured it, and after we done the measuring as such, Mr. Sweetman left the premises and I talked to Mr. D' Spain that we were looking for someone to plug the well for us, or to help us. That's when he and I talked of the one-half deal.

Q Well, now, as I understand it, you told him you were looking for someone to help plug the well. Was it your intention to plug it completely or plug it back to the water level?

A That is what we had in mind, but I rather think now, of course I don't like to speak for Mr. Sweetman since he isn't here, but we came to see Mr. Nutter one day or two before and I was under the impression that he wanted to turn it over to Mr. D' Spain with the pipe in it, or plug the top. Now, that's, I can't speak for him, but that is what I was under the impression that Mr. Sweetman wanted to do was to put a plug in the top or turn it over to him just like it stood. We got this form, forms that we haven't yet been able to sign.

Q Well, now, did Mr. D' Spain at any time refuse to let you on the premises?

A No.

Q For the purpose of plugging the well?

A No.

Q Are you familiar, sir, with our rules concerning plugging, mainly Rule 202-C, which states, "When drilling operations have been suspended for sixty days the well should be plugged and abandoned unless a permit for temporary abandonment should be obtained from the Commission"?

A Well, no, I am not too familiar with it, although we did get some temporary abandonments all right, but they run on and on over the sixty days as far as that goes.

Q Did you receive a temporary abandonment permit from the Commission?

A You know I can't tell you, but I was under the impression we had one. I couldn't tell you, maybe Mr. Nutter could tell you.

Q Let me put my question that way. Did you talk to Mr. Nutter on several occasions within the sixty-day period after the operation ceased or on any occasion?

A No, I wouldn't say after the sixty days. No, I couldn't say for I kept thinking that through the parties that was involved we might get the well finished, but we didn't.

MR. GURLEY: That is all the questions I have.

MR. PORTER: Any other questions of the witness? Does anyone have anything further to state in this case? The witness may be excused and we will take the case under advisement. We will take a short recess.

(Witness excused.)

(Recess.)

C E R T I F I C A T E

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 20th day of June, 1956.

Ada Dearnley
Notary Public - Court Reporter

My commission expires:
June 19, 1959.