

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
MABRY HALL  
Santa Fe, New Mexico  
June 22, 1960

EXAMINER HEARING

IN THE MATTER OF: Case 1995

Application of Redfern and Herd, Inc.,  
John J. Redfern, Jr., and J. H. Herd for an  
order force pooling the interests in a  
320-acre gas unit in the Dakota Producing  
Interval. Applicant, in the above styled  
cause, seeks an order force pooling all  
mineral interests in the N/2 of Section 32,  
Township 29 North, Range 11 West, San Juan  
County, New Mexico, insofar as the Dakota  
Producing Interval is concerned, including  
Pan American Petroleum Corporation and in-  
cluding the following person who has not  
consented to communitization:  
Sam Carson, 511 E. Main Street, Farmington,  
New Mexico.

BEFORE:

- D. S. Nutter, Chief Engineer
- O. E. Payne, General Counsel

TRANSCRIPT OF HEARING

Mr. Nutter: The hearing will come to order, please.

Mr. Payne: The first case is 1995.

Mr. Verity: The Applicant is ready.

I would also like to announce, in our application we in-  
dicated that Pan American Petroleum Corporation had a lease in that



320 acres that we have joined since then. They had joined the unit a week and a half ago, and we received a telegram from them a day before the First that they would join in the unit and also an oral agreement regarding the matter. We still have Sam Carson who has an undivided one-fourth lessor's royalty interest under the 80 acres in this 320 acres being the N. E. 1/4 of the N. W. 1/4, and N. W. 1/4 of the N. E. 1/4.

Mr. Nutter: He has an undivided interest?

Mr. Verity: One-fourth lessor's interest. Pan American in all of the leases under this 320 acres have joined in the Dakota Producing.

Mr. Nutter: You do have 320 acres of working interest?

Mr. Verity: This is correct. We have this much of a problem with regard to this matter--one of the leases, which is a Federal Government lease, will expire, or would expire, at midnight on the Thirtieth of this month, June, except for production in this unit. For this reason we would need this 1/4 or 20 acres of lessor's royalty interest to be pooled in the unit so it makes it complete as to all royalty interests. The United States Government raises some question about acknowledging the vailidity of unitizing 320 acres if all royalty is not in it. For this reason, at the close of this hearing, I would like to ask if it's possible for an order from the bench.

Mr. Nutter: That would be impossible, Mr. Verity. How-



ever, it would appear you would be able to start your well.

Mr. Verity: I am just coming to that. This well has already been drilled in the N. E. 1/4 of the N. E. 1/4. I point out to you that this is not on the 80 acres that Mr. Carson's 20 acres is under.

Mr. Nutter: The 80 acres, is that the lease that is going to expire?

Mr. Verity: No, it is not. We need the royalty in the pools. The United States Geological Survey on behalf of the Federal Government takes the position that is necessary because it's a valid 320-acre unit. We must have the 320-acre unit in order to preserve the Federal lease acreage that would expire except for production because the well in the North of the Northeast is not on the Federal lease, that would be expired at that time.

Mr. Payne: We will expedite any order. Of course, the Examiner cannot make decisions, all decisions are Commission decisions, he recommends to the Commission.

Mr. Verity: I see. We will appreciate any order being expedited and with that preliminary I would like to call Mr. Earl Rogers to the witness stand.

(Witness sworn.)

EARL ROGERS

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



DIRECT EXAMINATION

BY MR. VERITY:

Q State your name?

A Earl Rogers.

Q Mr. Rogers, what is your occupation?

A I am an independent land man.

Q Have you had experience in the San Juan and San Juan County areas?

A Yes, sir.

Q Have you been doing work for John Redfern, Jr., and J. H. Herd?

A Yes, sir.

Q Are you familiar with the land situation underlying the North 1/2 of Section 32, Township 29 North, Range 11 West, in San Juan County?

A Yes, sir.

Q Have you done land work in that 320 acres, particularly with regard to obtaining a unit agreement from lessors and royalty owners under the area?

A Yes.

Q Do you have knowledge of whether or not everyone has joined in the making and agreeing to producing the Dakota formation underlying the North 1/2 of that Section 32 as a unit?

A Yes, sir, except one.

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Q Who is that one?

A Sam Carson.

Q Have you discussed that with Mr. Carson?

A Yes.

Q Tell us, if you will, please, whether or not he is refusing to join in the unit?

A He has refused to sign the unit agreement.

Q Has he refused to sign the agreement, unit agreement that the other royalty owners under the North 1/2 of 32 have agreed to sign, and have signed?

A An identical instrument was presented to him for signature and they signed it.

Q What were the terms of the agreement that you endeavored to get Mr. Carson to sign?

A We endeavored to pool his interest to the 320-acre unit insofar as the Dakota formation was concerned, where he would derive his proportional benefit from the royalty in the unit as a whole.

Q Now, do you know what acreage Mr. Carson owns, under what interest does he own in the North 1/2 of 32?

A He owns one-fourth undivided interest in the Northeast of the Northwest corner, in the Northwest and Northeast.

Q When you say 'undivided one-fourth interest', are you referring to the Lessor's royalty or lease interest?



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A A mineral interest.

Q Is that subject to the lease?

A It's subject to the lease.

Q Is that Redfern?

A It's by J. J. Redfern.

Q Do you know whether or not a well has been drilled on that 320 acres?

A Yes.

Q Where is it located?

A Northeast-Northeast.

Q Has it been completed in the Dakota gas zone?

A Yes.

Q Dakota formation?

A Yes.

Q Does Mr. Carson's royalty extend under that 320 that the well is on?

A No, he doesn't have mineral under that 320.

Q Then, except for pooling, would he obtain any royalty at all from this well if it were not pooled or unitized?

A No.

Q Does he have, if I understand you correctly, you said he owned royalty under 80 acres of the 320 in the Northeast and Northwest to the Northwest and Northeast, and you also said that the well was located on the Northeast of the Northeast?



A Right.

Q That means he has no royalty under the well?

A Right, not under the well.

Q So he has no right to receive any royalty from this well unless this Commission grants pooling order, isn't that correct?

A Yes.

Q So, actually, this application will entitle him to share from the production of this well the same as any other owner under the North 1/2 of Section 32?

A Correct.

Q Do you know who owns the lease underlying the Southwest or Northeast 1/4 of 32?

A The Southwest of Northeast, that is a Federal Lease that is owned by Redfern.

Q When does it expire?

A June 30, 1960.

Q Will it be continued by production if it is producing at that time?

A Yes.

Q And, is it necessary in order to continue that lease that the Southeast 1/4 of the Northeast 1/4 be pooled with the Northeast of the Northeast?

A Yes, sir.

Q Where the well is located?



A Yes, sir.

Q Do you know whether or not, at the present time, the United States Geological Survey on behalf of the United States Government, in that lease requires that all royalty in the North 1/2 of Section 32 be pooled before they recognize it as a completely pooled unit, is that correct?

A Yes. On this first unit we sent down there for an approval on the grounds that all mineral owners should join in the communitization agreement.

Q Based on your knowledge of the oil and gas industry, do you think the opportunity that you afforded Mr. Carson to join in this unit was a fair one?

A Yes, definitely.

Q Do you think he will be at an advantage by it?

A He will be definitely at an advantage.

Mr. Verity: That is all we have from this witness.

Mr. Nutter: What did you say your name is?

The Witness: Earl Rogers.

Mr. Nutter: Rogers?

The Witness: Yes.

Mr. Nutter: Does anyone have any questions of Mr. Rogers?

Q (By Mr. Payne) Do you consider the possibility of forming a 240 acre non-standard unit, leaving out the 80 which Mr. Carson has interest in?



Mr. Verity: I think that is a legal question, and I would like to answer it.

Mr. Payne: Go ahead.

Mr. Verity: The situation, if we left it out, you would deprive on that 80 of their rightful correlative rights. You couldn't leave out that royalty without leaving out the leases.

Mr. Payne: All we have to do is drill a well.

Mr. Verity: You mean drill Dakota on that 80 acres?

Mr. Payne: That is correct.

Q (By Mr. Payne) Do you believe, then, all of this application would, due to the smallness, or shape, or size of either one of these two units, the 80 included in the 320, would deprive anybody of the opportunity to recover their just and fair share?

A (the witness) It might not be economically feasible if we had forced a man to drill. A man on the 80 acres, he couldn't get a full share.

Mr. Payne: Yes, he would in the Dakota.

Mr. Verity: That is only in the event that it never becomes a pro-rated pool.

Mr. Payne: That is right.

Q (By Mr. Payne) I would like to know what Mr. Carson indicated to the applicant, his particular reason for refusing to sign the communitization agreement?

A (the witness) Well, nothing positive. He didn't give



any positive reason for not signing it.

Mr. Nutter: Mr. Rogers, I have been just trying to construct a map of the area to see where it lies and, as I understand it, you have been seeking to create a new unit to Dakota and comprise all of the North 1/2 of Section 32?

A Right.

Q The well is located in the Northeast of the Northeast 1/4 of Section 32?

A Correct.

Q The Southeast 1/4 of the Northeast 1/4 is 40 acres, which expire 6-30-60?

A Correct.

Q What is the remaining acreage? What is the lease statutes of the rest of it?

A Well, we should commence, the Northeast-Northeast is a Federal lease and it's held high production.

Q Who's the lease owner on it?

A Mr. Redfern.

Q Redfern, O. K.

A Then the Southwest of the Northeast is a public company State lease, and it's still in primary territory.

Q It's a State lease?

A Yes. And then the Northwest of the Northeast is Redfern's lease.

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Q Northwest of the Northeast, is that the Carson property, right?

A He owns the lease, Mr. Redfern.

Q Is that Redfern Carson?

A Yes.

Q Northwest-Northeast?

A Yes. And it's held high production, the Southeast of the Northwest is a Federal lease that is owned by Mr. Redfern and it expires 10-1-60 in the absence of production, and the Northeast-Northwest is a Redfern leasehold interest.

Q That is the Carson lease again?

A Yes, again, yes, sir. Then the Southwest of the Northwest is a Pan American lease.

Q Is it a Federal-State?

A It's a free lease.

Q Free lease?

A Yes, sir. The Northwest of the Northwest is the lease owned by Mr. Redfern, a free lease.

Q What is the expiration date there?

A On that one, that lease was taken November 16th for six months time.

Q So when does it expire?

A May 16th. It's held by production now with this well.

Q Now, you say Carson has a 1/2 undivided interest?



A One-fourth.

Q One-fourth undivided interest in the royalty. In other words, he has got  $1/4$  of  $1/8$  of this 80 acres?

A Yes, sir.

Q And, being a royalty owner, he will not have to participate in the cost of drilling or completing this well?

A No, sir, no cost.

Mr. Nutter: Any further questions?

Mr. Payne: I take it, in the interest of being safe, you are assuming for the purpose of this case, at least, the royalty interest?

Mr. Verity: I think they do in this instance, yes, I surely do, and I also would like to point out to the Commission that if this 80 acres cannot be drilled, which the witness has testified was not economically feasible, would not only deprive the lessors of correlative rights, you would also deprive the other three-fourths of royalty, you would deprive Mr. Carson also.

Mr. Nutter: Approved the communitization?

Mr. Verity: No, they have indicated they would when this royalty interest, or when the Commission bares those pools, 320 acres.

Mr. Nutter: I would like to ask if you will relate the contacts that you have had with Mr. Carson and what you did?

The Witness: Well, I contacted Mr. Carson after I had



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received the signatures of the other mineral owners in this communitization agreement, and explained to him that we were trying to form a North 1/2 unit which, at the time I was talking to him, the Dakota well was drilling and he wouldn't sign it that night, and I explained to him what we were trying to do, and if he would sign the communitization agreement that he would receive his pro-rata share of the mineral and own part of the production, and we made some appointment to meet and talk later, which he didn't keep. It was kind of hard to find the guy to arrange another meeting, which I finally did, and he still wouldn't sign the agreement. So, then, I suggested maybe I hadn't explained it to him fully, and we would go to an attorney and see if he could explain the reason, what we were trying to get the man to execute, which he didn't do that.

Mr. Nutter: Mr. Rogers, I believe you stated a well was in the Southwest of the Northeast and was a public company, however, I note in the Application that Aztec has a lease.

Mr. Verity: The Southwest.

Mr. Nutter: It was public company rather than Aztec?

Mr. Verity: Correct. If you are through, I have one other question of the witness.

Mr. Rogers, do you know whether or not the mineral interest, that is, the lessor's royalty interest that Mr. Carson owns are the 80 in that Section, North 1/2 of Section 32, is also under a lease with other land?



The Witness: Yes, it was.

Q Are those other lands producing?

A Yes.

Q So, then, this lease of Mr. Carson's would not expire even if it's not pooled here, would it?

A No.

Q It's been extended by the production?

A Yes.

Mr. Payne: This is a Dakota unit to the north of this proposed unit?

The Witness: Not a Dakota unit north of this Pictured Cliff unit that was formed in the North 1/2 of the Northeast 1/4 of 32, and the South 1/2 of the Southeast 1/4 of 29 and 29-11.

Mr. Nutter: Are there any further questions of Mr. Rogers?

Mr. Verity: I don't have anything further of this witness.

Mr. Nutter: Are there any other appearances to be made in this case? The witness may be excused.

Mr. Verity: I want to introduce into evidence Order Number R-1287 in Cases Nos. 1508 and 1523, an Order establishing 320 acre drilling and spacing units for the Dakota formation underlying this particular 1/2 section and I would particularly like to call to the Commission's attention Paragraph 4 of the Findings in



I N D E XWITNESSES:PAGE

EARL ROGERS  
 Direct Examination by Mr. Verity

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E X H I B I T S

<u>Number</u>	<u>Exhibit</u>	<u>Marked for Identification</u>	<u>Offered</u>	<u>Received</u>
Appl 1	Order No. R-1287		14	14

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this Order which says that the preponderance of the evidence indicates that the producing interval under consideration can be efficiently and economically drained on a 320 acre spacing pattern, and that said interval can best be developed on such a pattern and we think, your Honor, that it's actually res adjudicata, that is, economic limit to develop this 80 acres, 80 acre well would not be competent.

Mr. Nutter: You go along with that finding 320.

Does anyone have anything further? If not, we will take the case under advisement.

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STATE OF NEW MEXICO )  
                                  )    ss  
COUNTY OF BERNALILLO )

I, LEWELLYN NELSON, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing was reported by me in Stenotype, and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 7th day of July, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

*Lewellyn F. Nelson*  
NOTARY PUBLIC

My Commission Expires:

June 14, 1964.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1995 heard by me on 6/22, 19 60.  
*[Signature]*, Examiner  
New Mexico Oil Conservation Commission

