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A W. K. Byrom.

Q Mr. Byrom, are you the operator of a gas well located on the North Half of the Northeast Quarter of Section 23, Township 18 South, Range 36 East?

A I am.

Q Who is the royalty owner under that lease?

A The State.

Q Of New Mexico?

A New Mexico.

Q In connection with the drilling of that well, did you enter into negotiations for the acquisition of the leasehold rights on the South Half of the Northeast Quarter of Section 23?

A Yes, I did.

Q With whom did you enter into that agreement?

A Mrs. Virgil Linam and New Mexico Bank and Trust Company as Trustee.

Q Of the Virgil Linam Estate?

A Yes.

Q That agreement initially was entered into with a Mr. Nolan Brunson, Jr., was it not?

A Yes, that's right.

Q And you acquired all the rights of Mr. Brunson?

A Yes.

Q In connection with that agreement, did you obligate yourself in the event you discovered gas in the well that you were



drilling in the Northeast of the Northeast of Section 23, that you would attempt to seek an order force pooling this 160 acres represented by the Northeast Quarter of Section 23?

A That's right.

Q And you have so filed this application?

A Yes.

Q Now, Mr. Byrom, I'll ask you what pool the well is located in?

A Well, it is undesignated at the time. I understand they've designated that as an Arkansas Junction-Queen Sand Pool.

Q Gas Pool?

A Yes, Gas Pool.

Q Is that a prorated pool?

A No.

Q Just briefly state the depth of the well and gas, and the volumes of gas you are presently producing.

A Well, in that well it's between 44 and 45. If you want the exact figures, I can give them to you there, the perforations.

Q All right, if you will.

A We are producing from 4448 to 59, 4459. Last month we ran seven million feet of gas off that well. Initial production is 350,000 a day after fracking.

Q Now the seven million cubic feet of gas that you produced last month was all the gas you were able to deliver off that

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well, is that correct?

A That's right.

Q Mr. Byrom, in connection with your application, since this is an unprorated gas pool and you are the lease owner of only an 80-acre tract, you are required to obtain permission for an 80-acre designation if you are to continue to produce your well, is that correct?

A That's right.

Q Now, in connection with the gas pool, what effect, if any, would the proration of this pool have on your present production?

A Well, unless they set it awful low, it wouldn't have any, I don't think.

Q In the event they established a 160-acre as a normal gas producing unit, could it affect you in the recoupment of your development cost of this well?

A I don't think so.

Q In the event, Mr. Byrom, the Commission does not see fit to force pooling of the North Half of the Northeast Quarter with the South Half of the Northeast Quarter of Section 23, do you desire the Commission to establish an 80-acre producing unit on your behalf?

A Yes, I do.

Q Did you make any attempt, Mr. Byrom, to acquire consent from the royalty owners under the South Half of the Northeast

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Quarter of Section 23?

A Yes.

Q The royalty owners are represented by Mrs. Alma Goodwin, Aulena Jennings, and Nell M. DeForrest?

A That's right.

Q Were you able to negotiate such an agreement?

A No, we couldn't.

Q But you did bring this action in light of the fact that you had agreed to attempt to create a 160-acre unit?

A Yes, sir.

MR. GIRAND: I believe that's all the questions I have of this witness.

CROSS EXAMINATION

BY MR. NUTTER:

Q As I understand it, Mrs. Goodwin, Mrs. Jennings, and Nell DeForrest are the royalty owners under the South Half of the Northeast Quarter?

A Yes, sir, that's right.

Q And Mr. Linam's Estate is the owner of the lease on the South Half of the Northeast Quarter?

A Yes.

Q And you do have an agreement with the working interest owners on the South Half there?

A Yes, sir, with Linam.

Q But the royalty owners have declined to sign the



agreement?

A Yes.

Q And the lease does not have a pooling clause, I assume?

MR. GIRAND: No, sir.

Q (By Mr. Nutter) Is there any overriding royalty or anything in this North Half of the Northeast Quarter, the State lease that you have?

A No, sir.

Q So the State is the royalty owner there and you are the sole working interest owner up there?

A Yes.

MR. GIRAND: The royalty owners are represented, Mr. Nutter, today.

MR. SWARTHOUT: Yes, Mr. Examiner. My name is A. M. Swarthout, Heidel and Swarthout, Box 905, Lovington. I believe we mailed a letter to the Commission under date of August 27th making our appearance here.

MR. NUTTER: Yes, sir, we received your letter.

MR. SWARTHOUT: We have some questions of Mr. Byrom.

MR. NUTTER: Go ahead. Proceed.

BY MR. SWARTHOUT:

Q With reference to your lease from the State of New Mexico on the North Half of the Northeast of Section 23, your interest was obtained by a farmout from Shell Oil Company through Mr. Brunson?

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A Mr. Brunson, yes.

Q What else, what other lands did that embrace, that farmout agreement?

A Well, it embraced the North Half of the Northwest Quarter of Section 24, 18, 36.

Q Did it also embrace the South Half of the Southeast Quarter of Section 23?

A Yes, that's right.

Q And you have drilled two wells under that farmout agreement?

A Yes, sir, that's right.

Q Now with reference to the third 80-acre, the South Half of the Southeast of 23, do you contemplate any drilling on that?

A No, sir.

Q You are going to, in other words, abandon that and let that go back to Shell?

A It's gone back.

Q Now with reference to the 80 acres that you have here, do you own all of that working interest, or only part of it? In other words, do you own down to a certain depth?

A Oh, yes, sure.

Q What depth is that?

A I believe it's 5,000, the best of my knowledge.

Q Is that with reference to the gas rights only, or the



gas and oil?

A The oil and gas.

Q And Shell Oil owns below 5,000 or 5100 feet?

A Something like that.

MR. GIRAND: I believe it's around 5400.

A 54, I have forgotten.

Q You don't contemplate any drilling, then, on the South Half of 23?

A No.

Q Now as to the agreement with Mrs. Linam, do you have a copy of that with you, or does Mr. Girand?

MR. GIRAND: I have the agreement here.

MR. SWARTHOUT: That is not of record, and to complete the record, I would ask Mr. Girand to have that marked as an exhibit and put in evidence.

MR. GIRAND: Well, since it's our only agreement, I'll be glad to furnish the Commission with a copy.

MR. NUTTER: We will accept a photostatic copy of the agreement.

MR. SWARTHOUT: May I have that just a moment, the original? I'll hand it back to you.

Q (By Mr. Swarthout) Mr. Byrom, you referred to an obligation with Mrs. Linam to have this 80 acres described as the North Half of Northeast Quarter pooled with the South Half of the Northeast Quarter. Is that obligation expressed in this agreement?

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A I don't know.

MR. GIRAND: We are going to object to --

A It was a verbal agreement.

MR. GIRAND: We will object, that calls for a legal interpretation of an instrument. The instrument speaks for itself; since it's in evidence there's no need to be interpreted.

MR. SWARTHOUT: Very well, we'll let the instrument speak for itself. At this time we offer the exhibit in evidence, with Mr. Girand to furnish a copy actually for the record.

MR. NUTTER: Right.

Q (By Mr. Swarthout) Do you recognize that the land of Mrs. Goodwin and her two sisters actually embraces 160 acres described as the South Half of the Northeast Quarter and the North Half of the Southeast Quarter of that Section?

A Well, that was the farmout, in the farmout agreement. I'm not interested in any except the South Half.

Q But the farmout actually covered the 160 acres that Mrs. Linam has a lease on?

A Yes.

Q All of which minerals are owned by Mrs. Goodwin and her two sisters, is that correct?

A Yes.

Q And is there any other production at this time from any part of that, or is there any production from any part of that 160 acres?

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A No.

Q Not at all? Are you familiar with the terms of that lease and the primary term of it?

A No, I don't -- I'm not, no.

Q Now with reference to the production from this well, you stated that the production was 350 cubic feet per day, is that correct?

A Yes.

MR. NUTTER: 350,000 cubic feet.

Q (By Mr. Swarthout) 350,000 cubic feet per day?

A Yes.

Q How does that compare with the other wells in that pool?

A Well, it's -- most of them will produce at least a million. There's some lighter wells in the pool, but the best wells are about a mile north, the main part of the pool is on north. This is evidently an edge well.

Q And in other words, this is producing approximately a third of what the other wells in the pool are?

A Just about.

Q So that if you are restricted to the non-standard 80-acre unit, your ability to produce would not be in any way affected, is that correct?

A At the present time, no.

Q That would be assuming, say, an allowable for a 160-acre unit of a million cubic feet?



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A Well, there is no allowable there.

Q Well, assuming there were one, or assuming that later on there is one? In other words, you would not be penalized in any way?

A No, not on a million a day.

Q Do you have any preference then as to whether you receive your alternative request here or whether you receive the 160-acre unit, other than your obligation to Mrs. Linam?

A Oh, yes. We never know how they are going to be prorated, and the other wells may go down, and they set the proration according to what they will make.

Q As it stands right now, there would be no difference to you?

A No, as it stands right now.

Q Under your agreement with Mrs. Linam, you are to pay her an override of 1/16th, is that correct?

A That's right.

Q And that would be an additional obligation that you would have, that you would not have otherwise, is that correct?

A Yes, that's right.

Q Likewise, if you are restricted to an 80-acre non-standard unit, the State of New Mexico then would be receiving all of the royalties from that well, would they not?

A Yes, that's right.

Q And if it is changed to 160-acre unit, then the State



would only be receiving one-half?

A One-half of the 160, yes, of the production on the 160, that's right.

Q Well, the production on the 160 wouldn't be any more than on the 80, according to your testimony, is that correct?

A That's right.

Q With your experience on the two wells that you drilled, do you anticipate or do you think it's feasible for anyone to drill any additional wells to the south of your two wells?

A No, sir.

Q So that you don't feel that if you are restricted to an 80-acre unit that it will result in any additional wells, then?

A I don't think so.

MR. SWARTHOUT: That's all.

REDIRECT EXAMINATION

BY MR. GIRAND:

Q Mr. Byrom, do you believe that your well will be capable of producing all of the gas underlying the 160-acre tract?

A I do.

Q Not to be repetitious, but you do desire the pooling, force pooling of the 160-acre, if possible. If not, you desire the 80-acre proration unit composed of the North Half of the Northeast Quarter?

A That's right.

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MR. GIRAND: That's all for Mr. Byrom.

MR. SWARTHOUT: One question with reference to your last question, Mr. Girand.

RE CROSS EXAMINATION

BY MR. SWARTHOUT:

Q You say you believe your well will drain all of the Northeast Quarter of Section 23. Do you mean it will drain all of the gas there is at that level?

A Well, it will drain all that can be drained economically.

Q But your well, you feel, is on the edge or fringe of the pool?

A Yes.

Q Do you know how far that edge then extends into Section 23?

A No, I don't, but I do know it drops off fast going west.

Q So there's some probability that this gas does not underlay all of the Northeast Quarter of Section 23?

A Well, it might be under all of the Quarter, the Northeast Quarter, but I don't think it would be under the whole Section.

Q But do you have any geological information, or is this just from your --

A Well, yes, we have it, but I don't have it with me.

MR. SWARTHOUT: That's all.

BY MR. NUTTER:

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Q Mr. Byrom, who is the gas purchaser in this area?

A Warren.

Q Warren Petroleum. Do you happen to know what the average takes for the other wells in the pool have been by Warren?

A I don't know the average, but the well north of them, they have been taking a million a day. That's a Shell well.

Q How far to the north is that?

A That would be one mile.

Q Is that the nearest well?

A Well, it is except my well in 24, which was the only one location to the east.

Q What location is that Shell well, Mr. Byrom?

A It's in the Northeast Quarter of the Northeast Quarter.

Q Of 14?

A Yes.

Q One mile north. How about your No. 2, what kind of a well is that?

A Well, it came in as a better well than the No. 1, but it's gone down now to where it's even less than No. 1. We may have some difficulty there. We'll probably remedy it later.

Q Some kind of mechanical difficulty with the hole?

A Yes, sir.

Q Does the agreement that you have with Mrs. Linam cover the division of the costs of drilling the well and such as that?

A No.



MR. GIRAND: Mr. Nutter, now that you have this information before you now, I think the only pertinent part of the agreement can be read into the record in regard to the pooling.

MR. SWARTHOUT: Probably that first or second paragraph you have there.

MR. NUTTER: Will you go ahead and read that into the record?

MR. GIRAND: Quoting from Farmout Letter dated December 26, 1961, addressed to Mr. Nolan Brunson, Jr., and executed by Mrs. Virgil Linam and the New Mexico Bank and Trust Company by G. L. Rogers, Trust Officer, accepted by Nolan Brunson, Jr., in Paragraph One, "Beginning on or before January 8, 1962, and continuing with due diligence, you are to drill a well to a depth sufficient to test the Penrose Gas Pay in the Arkansas Junction-Queen Field, which lies at a depth of approximately 4400 feet beneath the surface. This well is to be drilled in the Northeast of the Northeast of Section 23, and you shall have the option to drill such well to a depth sufficient to test the San Andres zone in said well. In the event you complete such well as a commercial gas well, we will assign to you the gas rights under the above oil and gas lease, reserving to ourselves 1/16th overriding royalty on 8/8ths of all gas produced and saved free of cost insofar as said well covers the South Half of the Northeast Quarter of said Section 23, such 80-acre tract to be combined in a gas unit with the North Half of the Northeast Quarter of

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said Section. This agreement to assign the gas rights on such 80-acre tract to you is subject to its inclusion in the gas unit."

Then the agreement also covers another 80-acre tract which is the North Half of the Southeast Quarter, that Mr. Swarthout brought out in cross examination.

MR. NUTTER: Well, the point I was trying to make or find out about was will the Linam interests be a working interest owner in the well in the event that the Commission would force pool this 160 acres?

MR. GIRAND: No, sir.

A No, sir.

MR. NUTTER: In other words, you have the lease, then this agreement is the farmout to give you the working interest on the Northeast Quarter?

MR. GIRAND: That's right.

MR. NUTTER: And you will be the sole working interest owner in the well?

A That's right.

MR. GIRAND: It's only an attempt to make the royalty owners, force the royalty owners to the creation of the 160-acre pool.

MR. NUTTER: So in effect we are not attempting to force pool two working interest owners here at all?

MR. GIRAND: No.

MR. NUTTER: I misunderstood the application.

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MR. SWARTHOUT: The only interest that Mrs. Linam reserves in the land you are attempting to force pool is the 1/6th override --

MR. GIRAND: 1/16th.

MR. SWARTHOUT: 1/16th, I'm sorry. And then of course the oil rights.

MR. GIRAND: If the Commission please, our position on this application as to the 160 acres is simply this: We made a deal in which we said we'd try to force pool. Our only concern in regard to continuing our application in that regard is the fact that should the field become prorated, the reduction in acreage could have a factor in the amount of gas to be produced from an 80-acre producing unit. As the matter stands now, we have to admit that we will suffer no loss by reason of the force pooling other than the fact that we agreed to try to do it.

Q (By Mr. Nutter) The well currently is making about 7,000 MCF a month?

A That's right. That was last month.

Q When was the well put on production?

A It had a connection on March the 28th. It was completed February 27th.

Q Has the well been producing at capacity, or does this represent what Warren can handle in their system?

A No, it's capacity; of course, it takes 350 pounds to go in the line. It's capacity on that pressure.

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Q It's flowing without any compressor or anything to buck the line pressure?

A Yes, we have to run it through a heater and everything with no compressor.

Q But you are not compressing it?

A No.

MR. NUTTER: Any further questions of Mr. Byrom? He may be excused.

(Witness excused.)

MR. GIRAND: May I make an additional statement. The reason for this application being heard at this time, Mr. Byrom had prior to this time filed an application with the Commission that was set for hearing back in, I believe in June or July, and we didn't feel then that the application was sufficient, and I didn't know at the time that the one I filed later was misunderstood, but then by the same token, that is the reason we are so late in coming up here on this request.

MR. NUTTER: Does anyone else have anything they wish to offer in this case?

MR. SWARTHOUT: If the Examiner please, we would like to introduce in evidence our lease that our parties have executed, and also to make a statement to the Examiner.

(Whereupon, Intervenor's Exhibit No. 1 marked for identification.)

MR. SWARTHOUT: If the Examiner please, this is a certified copy, certified by the Clerk of Lea County, of the Oil

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and Gas Lease of Alma Goodwin, Aulena M. Jennings, and Nell M. DeForrest and Roy DeForrest, her husband, to Virgil Linam. It embraces the South Half Northeast Quarter, and the North Half Southeast Quarter of Section 23, Township 18 South, Range 36 East, which is 160 acres. The lease is dated May 1, 1953, and is a ten-year lease, and the primary term would expire in eight months, this coming May 1st, 1963; and as Mr. Byrom has testified, there is no production, has been no development on that 160 acres. At this time we offer this exhibit in evidence.

MR. GIRAND: No objection.

MR. NUTTER: Intervenor's Exhibit No. 1 will be admitted in evidence.

(Whereupon, Intervenor's Exhibit No. 1 admitted in evidence.)

MR. SWARTHOUT: If the Examiner please, our situation on this lease is that the lease expires, otherwise will expire in eight months, if only the 80-acre non-standard unit is granted. If the 160-acre unit is established, then, of course, our clients will receive their one-half of the royalty on that north 80 acres, but will be receiving nothing on the south 80 acres and will have that 160-acre lease tied up from here on out for gas, oil and any other rights. We oppose the pooling of that South Half of the Northeast Quarter with Mr. Byrom's other 80 acres. We have no objection whatsoever to the granting of the non-standard unit, and feel that our rights would be better protected by the granting of the non-standard unit. With the well being an edge or fringe well, and the production say one-third of the other wells, we don't



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see how Mr. Byrom would be affected. He will probably be able to produce as much as he would otherwise, and the only other person benefiting from the transaction, as we see it right now, would be Mrs. Linam because she would be receiving the 1/16th override and would be holding our lease. For that reason, we object.

MR. NUTTER: Mr. Swarthout, with the reading of that paragraph or two from the farmout agreement, did you withdraw your request that that thing be photostated?

MR. SWARTHOUT: Yes, the only thing I wanted to establish was the actual terms of that agreement, whether you might say it's an obligation on Mr. Byrom to ask that it be pooled or merely that it's a right to have that 80 acres assigned, or the gas rights assigned if he does get production, and if it is established as 160-acre unit. I think there is a question in my mind under the reading of the agreement as to actually what you might say the obligation is.

MR. GIRAND: I concur in that. I was a little bit in doubt as to just what should be done, but it was an obligation that Mr. Byrom entered into at the time the farmout agreement was entered into, and we had to come to this Commission and seek the creation of the pooling of the two 80 acres.

MR. SWARTHOUT: I am satisfied that Mr. Byrom is acting in good faith. He's doing everything he feels he should do, but of course, our position here as the royalty owners under this lease



is adverse to his application for a 160-acre unit.

MR. NUTTER: What I want to find out, does the reading of these paragraphs suffice, or do you still want it?

MR. SWARTHOUT: No, I think that the reading of the paragraph that Mr. Girand read, and also the statement that was made in the record of what Mrs. Linam has is a 1/16th override in the gas, and reserves the other rights, the other 80 acres and the oil rights under this 80 acres, I think the record will be sufficient without Mr. Girand furnishing a copy of the full agreement.

MR. NUTTER: Okay. Does anyone have anything further they wish to offer in Case 2623?

MR. GIRAND: Just one thing. We did furnish notice to all offset operators by registered mail or certified mail, return receipts, and offer that if the Commission wants it.

MR. NUTTER: We construe the legal advertisement to be sufficient notice there, Mr. Girand.

MR. GIRAND: I did that in addition to the legal notice.

MR. SWARTHOUT: I might add, so that our position will be fully stated as far as this record is concerned, that with the amendment that the 1961 Legislature made of this pooling statute, where they repealed or took out subsection (c) and put in a new section, there was a question in my mind whether our present compulsory pooling law covers the situation where all of the pool tract is not embraced within the proposed unit. In

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other words, the previous section said something about all or any part of a tract may be pooled. The present statute now reads that a tract embraced within a proposed unit may be pooled.

MR. NUTTER: You'd raise the question as to whether --

MR. SWARTHOUT: Our 160 acres is not fully embraced.

MR. NUTTER: You would raise a question as to whether any portion of a tract could be force pooled?

MR. SWARTHOUT: Under the present statute. I do not know whether you desired that statement, but that question rises in my mind on that factual situation.

MR. NUTTER: Anything further in this case? We will take the case under advisement.

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STATE OF NEW MEXICO     )  
                                  ) ss  
COUNTY OF BERNALILLO    )

I, ADA DEARNLEY, 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, and that the same is a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 17th day of September, 1962, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

*Ada Dearnley*  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:

June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2623, heard by me on Aug 29, 1962.

*[Signature]*, Examiner  
New Mexico Oil Conservation Commission



GIRAND, COWAN & REESE

MAIN OFFICE

NEW MEXICO BANK AND TRUST COMPANY BUILDING  
POST OFFICE BOX 2405

1963 JAN 15 11 17 AM '63

TELEPHONES  
EXPRESS 3-9116  
EXPRESS 3-9117

W. D. GIRAND  
RAY C. COWAN  
N. RANDOLPH REESE

January 15, 1963

*Case file  
JMR*

Oil Conservation Commission  
Santa Fe, New Mexico

Attention: Mr. Pete Porter

Gentlemen:

Re: W.K.Byrom State 23, Well#1  
NE/4 Sec. 23, T18S, R36E,  
Lea County, New Mexico

Complying with the order entered by the Commission in Case No. 2623, we are herein enclosing Communitization Agreement, together with Certificate of Approval executed by the Commissioner of Public Lands of the State of New Mexico. This should complete your file and allow the 160 acre production unit as applied for in the application.

Yours very truly,

  
GIRAND, COWAN & REESE

WDG:mbb

Enclosure

CC: Mrs. Virgil Linam  
Mr. W. K. Byrom  
U. S. Geological Survey

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BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
November 14, 1962

REGULAR HEARING

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IN THE MATTER OF: (DE NOVO) )

Application of Mrs. Alma Goodwin, Mrs. )  
Nell M. De Forrest, and Mrs. Aulena M. ) Case 2623  
Jennings for a hearing de novo of Case )  
No. 2623, Order No. R-2317, application )  
of W. K. Byrom for compulsory pooling, )  
Lea County, New Mexico. )  
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BEFORE: Honorable Edwin L. Mechem  
Mr. A. L. "Pete" Porter  
Mr. E. S. "Johnny" Walker

TRANSCRIPT OF HEARING

MR. PORTER: Case 2623.

MR. DURRETT: Application of Mrs. Alma Goodwin, Mrs.  
Nell M. De Forrest, and Mrs. Aulena M. Jennings for a hearing  
de novo of Case No. 2623, Order No. R-2317, application of W. K.  
Byrom for compulsory pooling, Lea County, New Mexico.

May it please the Commission, the Commission has in its  
official file a telegram received on November 13, 1962 that I  
would like to read into the record at this time.

MR. PORTER: You may proceed, Mr. Durrett.

MR. DURRETT: The telegram reads as follows: "Regard  
Case 2623, this is to advise that application of Goodwin and



others for hearing de novo is hereby withdrawn. W. G. Girand, attorney for Byrom has been personally notified to that effect. Confirming letter will follow. Heidel and Swarthout, Attorneys-at-Law, Lovington, New Mexico." On the basis of this telegram I would like to move the Commission to dismiss the case at this time.

MR. PORTER: For the record I would like to say that Mr. Girand talked to me on the telephone and told me that this telegram would be forthcoming according to the information that he had from Mr. Swarthouse, I believe, and that he would offer no objection to the dismissal of the case.

If no one has any objection, the case will be dismissed.

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