

CASE 2870: Appli. of J. GREGORY
MERRION & ASSOCIATES for compulsory
pooling, Rio Arriba County, N. Mex.

Order made
by Fay Kumball

8/17/31

CASE No.

2870

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

DRAFT

JMD/esr

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. 2870

Order No. R- 2540

APPLICATION OF J. GREGORY MERRION
& ASSOCIATES FOR COMPULSORY POOLING,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
July 24, 1963, at Santa Fe, New Mexico, before Daniel S. Nutter,
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 day of July, 1963, the Commission,
a quorum being present, having considered the application, the
evidence adduced, and the recommendations of the Examiner,
Daniel S. Nutter, 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, J. Gregory Merrion & Associates,
seeks an order pooling all mineral interests in the Basin-Dakota
Gas Pool underlying the S/2 of Section 34, Township 25 North,
Range 6 West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant has ^{attempted} made diligent effort to identify
and to locate all owners of interest in the proposed proration unit.

(4) That each non-consenting interest owner whose identity
and address is known has been offered an opportunity to join with
the applicant.

(5) That there remain non-consenting interest owners in the
subject proration unit who have not pooled their interests.

(3) That the applicant has the right to drill and produce
and 1850 feet from the west line of the Basin - Dakota gas pool underlying the S/2 of Section 34, Township 25 North, Range 6
West, NMPM, Rio Arriba County, New Mexico.

(6) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the Basin-Dakota Gas Pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(7) That the applicant proposes to ~~dedicate the subject proration unit to its~~ ^{drill a well dedicated to the} ~~subject proration unit to a well to be drilled 1850 feet from the South line~~ ^{located} ~~and 1850 feet from the West line of said Section 34.~~

(8) That the applicant should be allowed to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of the costs of said well has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(9) That \$75.00 per month should be fixed as the reasonable cost of operating the subject well and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.

(10) That the applicant should furnish the Commission and each known non-consenting working interest owner in the subject unit an itemized schedule of well costs within 30 days following ~~the date of the completion of the subject well.~~ ^{the date of the completion of the subject well.}

(11) That any non-consenting working ^{interest} ~~interest~~ owner should be afforded the opportunity to pay his share of well costs within 30 days from the date the schedule of well costs is furnished him by the applicant in lieu of paying his share of costs out of production.

(12) That any non-consenting working interest owner not electing to pay his share of well costs within 30 days from the date said schedule is furnished him should have his share of the well costs withheld from production plus 25 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(13) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership.

(14) That ~~J. Gregory Morrison & Associates~~ ^{Kay Kimbell J. Gregory Morrison & Associates} should be designated the operator of the subject well and unit ^{until its completion;} ~~that thereafter Kay Kimbell should be designated the operator of said well and unit.~~

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the S/2 of Section 34, Township 25 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled to form a 320-acre proration unit ^{to be} ~~said unit~~

~~shall be dedicated to the~~ ^{a well to be drilled 1850 feet from the South line and 1850 feet from the West line of Section 34, located}
(2) That ~~J. Gregory Morrison & Associates~~ ^{Kay Kimbell} is hereby designated the operator of the subject well and unit ^{until its completion;} ~~thereafter Kay Kimbell shall be designated as~~ the operator of the subject well and unit.

(3) That ~~J. Gregory Morrison & Associates~~ ^{Kay Kimbell J. Gregory Morrison & Associates} is hereby authorized to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of well costs has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(4) That ~~\$75.00~~ ^{\$75.00} per month is fixed as the reasonable cost of operating the subject well, and ~~J. Gregory Morrison & Associates~~ ^{Kay Kimbell} is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(5) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(6) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(7) That the applicant shall furnish the Commission and each known non-consenting working interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of ~~this order~~ *completion of the subject well.*

(8) That any non-consenting working interest owner shall have the right to pay his share of well costs to J. Gregory Merrion & Associates ~~within 30 days from the date the schedule~~ of well costs is furnished him by J. Gregory Merrion & Associates, in lieu of paying his share of well costs out of production. In the event any such owner elects to pay his share of well costs as provided for in this paragraph, he shall remain liable for operating costs but shall not be liable for risk charges.

(9) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The Commission shall be notified as to the name and address of said escrow agent within 90 days from the date of this order.

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

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

VERITY, BURR, COOLEY & JONES
ATTORNEYS AND COUNSELORS AT LAW
SUITE 152 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO

GEO. L. VERITY
JOEL B. BURR, JR.
WM. J. COOLEY
RAY B. JONES

June 28, 1963

TELEPHONE 325-1702

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

Dear Sir:

Enclosed is Application for J. Gregory Merriam &
Associates.

Very truly yours,

VERITY, BURR, COOLEY & JONES

BY

William J. Cooley
William J. Cooley
By K.

WJC/k

DOCKET MAILED

Date 7/12/63

-2-
No. 21-63

(Continued from July 10, 1963 examiner hearing)
CASE 2850: Application of Shell Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the East Pearl-Queen Unit Area comprising 2440 acres of State and Fee lands in Township 19 South, Range 35 East, Lea County, New Mexico.

CASE 2851: (Continued from July 10, 1963 examiner hearing and readvertised)
Application of Shell Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its East Pearl Queen Unit by the injection of water into the Queen formation through 31 wells in Sections 15, 21, 22, 26, 27, 28, 34, and 35, Township 19 South, Range 35 East, Lea County, New Mexico.

CASE 2869: Application of Marathon Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (conventional) of its State Warn A/c 3 Well No. 5, located in Unit H of Section 33, Township 17 South, Range 35 East, Lea County, New Mexico, to produce from the Vacuum-Abo Reef Pool and either an undesignated Blinebry or Glorieta pool through parallel strings of 2 1/16" OD tubing.

CASE 2870: Application of J. Gregory Merrion & Associates for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral irterests in the Basin-Dakota Gas Pool underlying the S/2 of Section 34, Township 25 North, Range 6 West, Rio Arriba County, New Mexico.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 24, 1963

9:00 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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

- CASE 2864: Application of Midwest Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Custer Mountain Unit Area comprising 11,523.68 acres of State, Federal and Fee lands in Township 24 South, Range 35 East, Lea County, New Mexico.
- CASE 2865: Application of Humble Oil & Refining Company for a pressure maintenance project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project in the Gallup formation underlying its Navajo "G" lease in Sections 1, 2, 11 and 12, Township 31 North, Range 17 West, San Juan County, New Mexico. Initial injection will be through applicant's Well No. 16 located in Unit G of said Section 1. Applicant further seeks the promulgation of special rules governing the operation of said project.
- CASE 2866: Application of Humble Oil & Refining Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (combination) of its State "BV" Well No. 1, located in Unit A of Section 18, Township 18 South, Range 35 East, Lea County, New Mexico, to produce oil from the Bone Springs and Devonian formations through parallel strings of 2 7/8 inch casing and 4 1/2 inch casing cemented in a common well bore.
- CASE 2867: Application of George L. Buckles Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Langlie-Mattix Pool by the injection of water into the Queen formation through nine wells on its Knight lease comprising the E/2 SE/4 of Section 21, W/2 SW/4 of Section 22, Township 24 South, Range 37 East, Lea County, New Mexico.
- CASE 2868: Application of Continental Oil Company for a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 48.99-acre non-standard oil proration unit comprising Lots 2 and 3, Section 31, Township 26 South, Range 32 East, North Mason-Delaware Pool, Lea County, New Mexico, to be dedicated to its Russell Federal 31 Well No. 1, located in Lot 3 of said Section 31.
- CASE 2841: Application of Shell Oil Company for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to drill its Middleton Federal Well No. B-1 at an unorthodox location 660 feet from the North and West lines of Section 31, Township 19 South, Range 32 East, Lusk-Morrow Gas Pool, Lea County, New Mexico.
(Cont'd from
June 26, 1963)

*Will not sell after complete
operating equipment*

BEFORE THE OIL CONSERVATION COMMISSION OF NEW MEXICO

IN RE APPLICATION OF J. GREGORY
MERRION & ASSOCIATES for an Order
Force Pooling the Dakota Formation
Underlying the S $\frac{1}{2}$ of Section 34,
Township 25 North, Range 6 West,
N.M.P.M., Basin Dakota Pool, Rio
Arriba County, New Mexico

No. 2870

A P P L I C A T I O N

*Set out
to drill
to complete
& open*

Comes now J. Gregory Merrion & Associates, by and through
their attorneys, Verity, Burr, Cooley & Jones, and hereby
respectfully apply to the Oil Conservation Commission of New
Mexico for an order force pooling the interests of all persons
in the Dakota Formation underlying the S $\frac{1}{2}$ of Section 34, Town-
ship 25 North, Range 6 West, N.M.P.M., Basin Dakota Pool, Rio
Arriba County, New Mexico.

Applicants have contacted all persons owning a working
interest in the above described lands in an effort to form a
voluntary communitization unit on reasonable and customary terms
and have succeeded in obtaining the consent of all such persons
to same with the exception of the Estate of E. P. Campbell,
Deceased; (Halliburton Company; and The Youngstown Sheet and
Tube Company, (Continental-Emsco Company Division) which persons
have thus far failed to make any response whatsoever to appli-
cants' offers. The interests of Halliburton Company and The
Youngstown Sheet and Tube Company, Continental-Emsco Company
Division arises out of the fact that said companies hold a
mortgage on the interest of the Estate of E. P. Campbell,
Deceased, in the above described lands, which we are advised
is presently in default and in process of being foreclosed.

*2 to 3
do a 10% interest in the
land by the estate of E. P. Campbell
to the 10% interest in the
land by the estate of E. P. Campbell*

That despite the fact that commercial wells in the Basin Dakota Pool have been completed on adjacent lands, there will nevertheless be considerable risk involved in drilling the proposed unit well and that applicants should therefore be awarded a reasonable percentage of the cost of drilling the proposed well out of the share of the production therefrom which is attributable to the interests being force pooled as compensation for bearing such risk.

WHEREFORE, applicants pray the foregoing Application be set down for hearing before the Commission Examiner at the earliest possible date and that after due notice and hearing, the Commission grant the relief prayed for above.

Respectfully submitted,

VERITY, BURR, COOLEY & JONES

By

William J. Cooley
Attorneys for J. Gregory
Merrion & Associates

1-24-30 X
30 X
1850 X
1850
Canyon X
Large
35- requests
150% risk
be made
a voluntary
agreement
less than 150%
to be paid
production

Exhibit No. 1

*Order Mailed
8-7 Jh*

April 24, 1963

REGISTERED
RETURN RECEIPT REQUESTED

Estate of E. P. Campbell
c/o Mr. Chiardo Pierce
1603 Broadway
Lubbock, Texas

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

April EXHIBIT NO. *1*

CASE NO. *2870*

Gentlemen:

It is my intention to drill a well to test the Dakota formation in the South half of Section 34, 25 North, 6 West, Rio Arriba County, New Mexico.

The estimated cost of drilling and completing this well is \$80,000.00. It is my understanding that the Estate of E. P. Campbell owns a 1/4 interest under the Federal lease which comprises 280 acres of this drilling block.

Please be advised, if you wish to join in the drilling of this well. The other working interest owners of this drilling block have expressed their desire to join in the drilling of this well and we will wish to commence shortly after June of this year.

I will appreciate your early reply.

Yours very truly,

J. Gregory Merrion

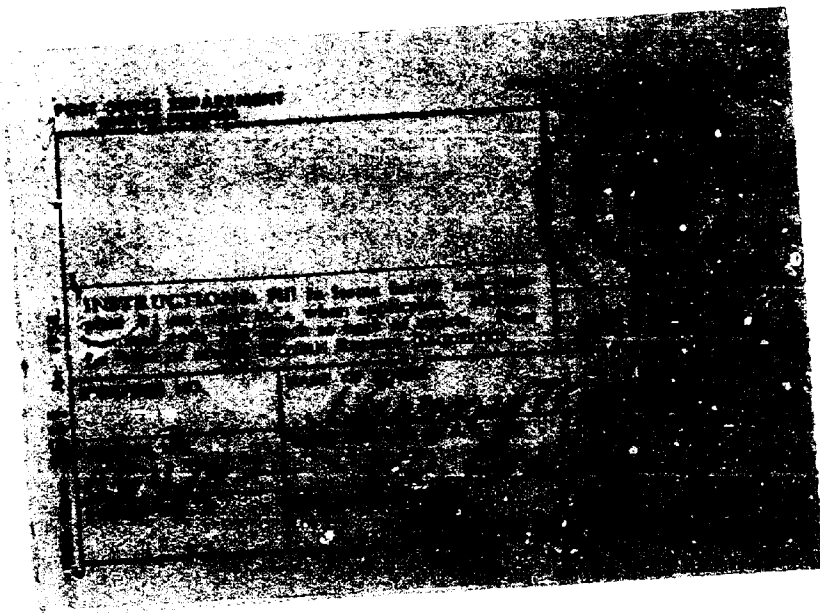
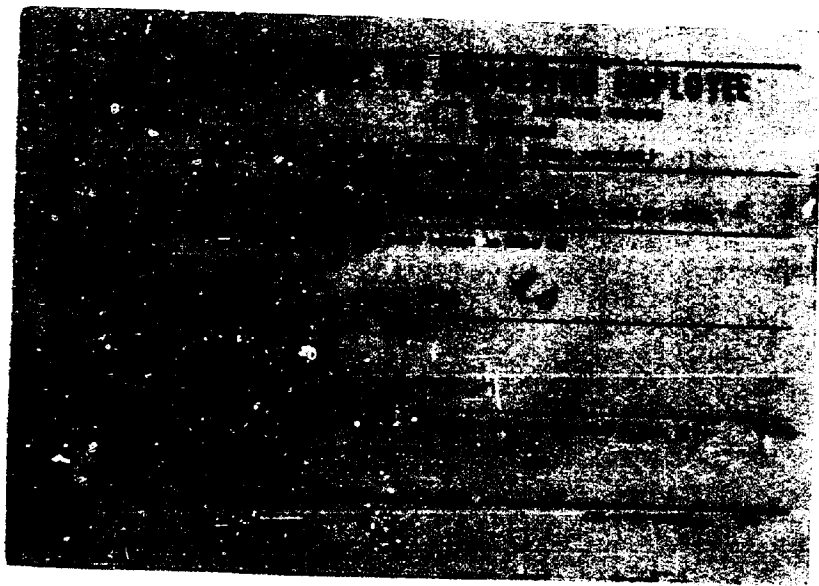
JGM:ah

cc: Kay Kimbell

No. 054742

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO <i>Estate of E. P. Campbell</i>		POSTMAN OR DATE <i>WASHINGTON APR 25 1963</i>
STREET AND NO. <i>c/o Chiardo Pierce 1603 Broadway</i>		
CITY AND STATE <i>Lubbock Texas</i>		
<input type="checkbox"/> If you want a return receipt, check which 10¢ shows to whom and when delivered	<input type="checkbox"/> 35¢ shows to whom, when, and address where delivered	<input type="checkbox"/> If you want restricted delivery, check here 50¢ fee
FEES ADDITIONAL TO 20¢ FEE		
POD Form 3800 Dec. 1960		
CAUTION—NOT FOR INTERNATIONAL MAIL		
(See other side)		



No. 054742

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO
Estate of E.P. Campbell
STREET AND NO.
1603 Broadway
CITY AND STATE
Lubbock Texas

POSTMARK OR DATE
APR 25 1963

If you want a return receipt, check which
☐ 10¢ shows to whom and when delivered
☐ 35¢ shows to whom, when, and address where delivered
☐ If you want restricted delivery, check here
☐ 50¢ fee

FEES ADDITIONAL TO 20¢ FEE

POD Form 3800
Dec. 1960

CAUTION—NOT FOR INTERNATIONAL MAIL (See other side)

No. 517285

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO
Continental-Emacs
STREET AND NO.
Box 359
CITY AND STATE
Dallas Texas

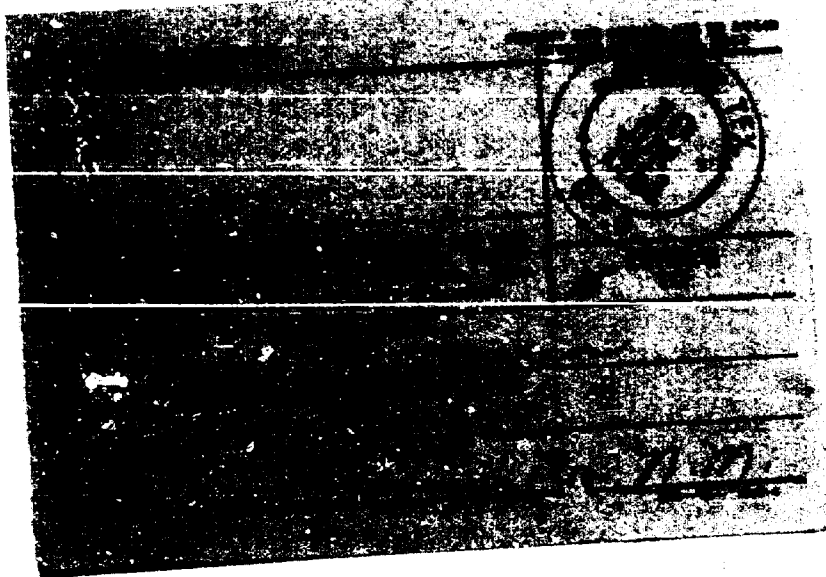
POSTMARK OR DATE
ARMINGTOWN JUN 1963

If you want a return receipt, check which
☐ 10¢ shows to whom and when delivered
☐ 35¢ shows to whom, when, and address where delivered
☐ If you want restricted delivery, check here
☐ 50¢ fee

FEES ADDITIONAL TO 20¢ FEE

POD Form 3800
June 1962

CAUTION—NOT FOR INTERNATIONAL MAIL (See other side)



1. Stick postage stamps to your article to pay:
 20¢ certified mail fee
 First-class or airmail postage
 Either return receipt fee—10¢ or 35¢ (optional)
 Restricted delivery fee—50¢ (optional)
 Special-delivery fee (optional)
2. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article to a postal employee.
3. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, detach and retain the receipt, and mail the article.
4. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the back of the article by means of the gummed ends. Endorse front of article RETURN RECEIPT REQUESTED.
5. If you want the article delivered only to the addressee, endorse it on the front DELIVER TO ADDRESSEE ONLY. Place the same endorsement in line 2 of the return receipt card.
6. Save this receipt and present it if you make inquiry.

18-71547-5 ★ GPO

1. Stick postage stamps to your article to pay:
 20¢ certified mail fee
 First-class or airmail postage
 Either return receipt fee—10¢ or 35¢ (optional)
 Restricted delivery fee—50¢ (optional)
 Special-delivery fee (optional)
2. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier.
3. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, detach and retain the receipt, and mail the article.
4. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the back of the article by means of the gummed ends. Endorse front of article RETURN RECEIPT REQUESTED.
5. If you want the article delivered only to the addressee, endorse it on the front DELIVER TO ADDRESSEE ONLY. Place the same endorsement in line 2 of the return receipt card.
6. Save this receipt and present it if you make inquiry.

18-71547-6 ★ GPO: 1962-O-625149

Exhibit 3

June 7, 1963

Order Mail 8-7
CERTIFIED
RETURN RECEIPT REQUESTED

Continental-Emaco Company
P. O. Box 359
Dallas, Texas

Attention: Mr. Henry Wise
Legal Department

BEFORE EXAMINER WITTER
OIL CONSERVATION COMMISSION
Approved by
CASE NO. *2870*

Gentlemen:

It is my intention to drill a well and test the Dakota formation in the South half of Section 34, ~~34~~ 6 West, Rio Arriba County, N. M. The estimated cost of drilling and completing this well as a Dakota producer is \$80,000.00.

It is my understanding that the Estate of E. P. Campbell owns a one-eighth interest under the Federal Lease, which comprises 280 acres of this drilling block. It is, ~~however~~ my understanding that Continental-Emaco has some claim to this ~~interest~~ as a result of a mortgage.

Please be advised, if you wish to join in the drilling of this well, the other working interest ~~persons~~ have expressed a desire to join in the drilling of this well and we wish to commence the well as soon as possible.

I will appreciate your early reply.

Yours very truly,

J. Gregory Merrion

3

JGM:sh

RETURN TO DELIVERING EMPLOYEE

☐ If you wish to return this mail to the post office, please check here.

☐ If you wish to return this mail to the sender, please check here.

Address of Recipient
 Halliburton Co.
 P.O. Drawer 1431
 Duncan, Okla.

No. 517282

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO
 Halliburton
 STREET AND NO.
 P.O. Drawer 1431
 CITY AND STATE
 Duncan Okla.

POSTMARK OR DATE
 OKMINGTON
 JUN 7 1962

If you want a return receipt, check which
☐ 10¢ shows to whom and when delivered
☐ 35¢ shows to whom, when, and address where delivered
☐ 50¢ fee

If you want restricted delivery, check here
☐ 50¢ fee

FEES ADDITIONAL TO 20¢ FEE

POD Form 3800
 June 1962

CAUTION—NOT FOR INTERNATIONAL MAIL (See other side)



1. Stick postage stamps to your article to pay:

20¢ certified mail fee	Restricted delivery fee—50¢ (optional)
First-class or airmail postage	Special-delivery fee (optional)
Either return receipt fee—10¢ or 35¢ (optional)	
2. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier.
3. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, detach and retain the receipt, and mail the article.
4. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the back of the article by means of the gummed ends. Endorse front of article RETURN RECEIPT REQUESTED.
5. If you want the article delivered only to the addressee, endorse it on the front DELIVER TO ADDRESSEE ONLY. Place the same endorsement in line 2 of the return receipt card.
6. Save this receipt and present it if you make inquiry. 12-71547-8 ★ GPO: 1952-O-545140

Exhibit 2

June 7, 1963

Order Mailed 8-7

CERTIFIED
RETURN RECEIPT REQUESTED

The Halliburton Company
P. O. Drawer 1431
Duncan, Oklahoma

Attention: Mr. R. O. Brown
Vice President

BEFORE EXAMINER
Appl
CASE NO. 2870

Gentlemen:

It is my intention to drill a well and test the Dakota formation in the South half of Section 34, 25 North, 6 West, Rio Arriba County, New Mexico. The estimated cost of drilling and completing this well as a Dakota producer is \$80,000.00.

It is my understanding that the Estate of E. P. Campbell owns a one-eighth interest under the Federal lease, which comprises 280 acres of this drilling block. Further, it is my understanding that Halliburton has some claim to this interest as a result of a mortgage.

Please be advised, if you wish to join in the drilling of this well, the other working interest owners have expressed a desire to join in the drilling of this well and we wish to commence the well as soon as possible.

I will appreciate your early reply.

Yours very truly,

J. Gregory Morrison

JGM:ah

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
E. B. JEFFREY WALKER
MEMBER

P. O. BOX 871
SANTA FE

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

August 7, 1963

Mr. William J. Cooley
Verity, Burr, Cooley & Jones
Attorneys at Law
152 Petroleum Center Building
Farmington, New Mexico

Re: Case No. 2870
Order No. R-2540
Applicant:
J. GREGORY MERRION

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ix/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Astec OCC x

OTHER

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. 2870
Order No. R-2540

APPLICATION OF J. GREGORY MERRION
& ASSOCIATES FOR COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 24, 1963, at Santa Fe, New Mexico, before Daniel S. Mutter, 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 7th day of August, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Mutter, 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, J. Gregory Merrion & Associates, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool underlying the S/2 of Section 34, Township 25 North, Range 6 West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well in the Basin-Dakota Gas Pool 1850 feet from the South line and 1850 feet from the West line of Section 34, Township 25 North, Range 6 West, NMPM, Rio Arriba County, New Mexico.

(4) That the applicant has attempted to identify and to locate all owners of interest in the proposed proration unit.

(5) That each non-consenting interest owner whose identity and address is known has been offered an opportunity to join with the applicant.

(6) That there remain non-consenting interest owners in the subject proration unit who have not pooled their interests.

(7) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the Basin-Dakota Gas Pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(8) That the applicant proposes to dedicate the subject proration unit to a well to be drilled 1850 feet from the South line and 1850 feet from the West line of said Section 34.

(9) That the applicant should be allowed to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of the costs of said well has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(10) That \$75.00 per month should be fixed as the reasonable cost of operating the subject well and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.

(11) That the applicant should furnish the Commission and each known non-consenting working interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of completion of the subject well.

(12) That any non-consenting working interest owner should be afforded the opportunity to pay his share of well costs within 30 days from the date the schedule of well costs is furnished him by the applicant in lieu of paying his share of costs out of production.

(13) That any non-consenting working interest owner not electing to pay his share of well costs within 30 days from the date said schedule is furnished him should have his share of the well costs withheld from production plus 25 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(14) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership.

(15) That J. Gregory Marrion & Associates should be designated the operator of the subject well and unit until its completion; that thereafter Kay Kimbell should be designated the operator of said well and unit.

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CASE No. 2870
Order No. R-2540

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the S/2 of Section 34, Township 25 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled to form a 320-acre proration unit to be dedicated to a well to be drilled 1850 feet from the South line and 1850 feet from the West line of said Section 34.

(2) That J. Gregory Merrion & Associates is hereby designated the operator of the subject well until its date of completion; thereafter Kay Kimbell shall be designated the operator of the subject well and unit.

(3) That J. Gregory Merrion & Associates is hereby authorized to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of well costs has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(4) That \$75.00 per month is fixed as the reasonable cost of operating the subject well, and Kay Kimbell is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(5) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(6) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(7) That the applicant shall furnish the Commission and each known non-consenting working interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of completion of the subject well.

(8) That any non-consenting working interest owner shall have the right to pay his share of well costs to J. Gregory Merrion & Associates within 30 days from the date the schedule of well costs is furnished him by J. Gregory Merrion & Associates, in lieu of paying his share of well costs out of production. In the event any such owner elects to pay his share of well costs as provided for in this paragraph, he shall remain liable for operating costs but shall not be liable for risk charges.

(9) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow

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CASE No. 2870
Order No. R-2540

in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The Commission shall be notified as to the name and address of said escrow agent within 90 days from the date of this order.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jack M. Campbell

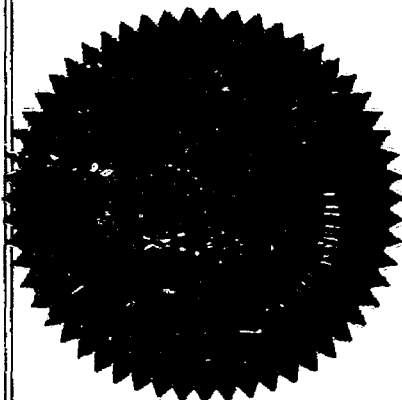
JACK M. CAMPBELL, Chairman

E. S. Walker

E. S. WALKER, Member

A. L. Porter, Jr.

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



EST/

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 24, 1963

EXAMINER HEARING

IN THE MATTER OF:

Application of J. Gregory Merrion and Associates for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin-Dakota Gas Pool underlying the S/2 of Section 34, Township 25 North, Range 6 West, Rio Arriba County, New Mexico.

Case No. 2870

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

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BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 24, 1963

EXAMINER HEARING

IN THE MATTER OF:

Application of J. Gregory Merrion and Associates
for compulsory pooling, Rio Arriba County, New
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interests in the Basin-Dakota Gas Pool under-
lying the S/2 of Section 34, Township 25
North, Range 6 West, Rio Arriba County, New
Mexico.

CASE 2870

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: We will call Case 2870.

MR. DURRETT: Application of J. Gregory Merrion and
Associates for compulsory pooling, Rio Arriba County, New Mexico.

MR. COOLEY: William J. Cooley with the law firm of
Verity, Burr, Cooley, and Jones, Farmington, New Mexico, appearing
on behalf of the applicant, Mr. Merrion.

(Witness sworn.)

J. GREGORY MERRION

called as a witness, having been first duly sworn on oath, testi-
fied as follows:

DIRECT EXAMINATION

BY MR. COOLEY:

Q Would the witness state his full name and place of



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residence?

A J. Gregory Merrion, Farmington, New Mexico.

Q How are you employed, Mr. Merrion?

A I am self-employed as an oil operator.

Q Are you the operating member of J. Gregory Merrion and

Associates?

A Yes, I am.

Q Have you previously testified before the New Mexico

Oil Conservation Commission as an expert witness?

A Yes, I have.

MR. COOLEY: Mr. Examiner, do you accept the witness' qualifications as having been previously established before this Commission?

MR. NUTTER: Yes, sir, Mr. Cooley. Please proceed.

Q (By Mr. Cooley) Mr. Cooley, are you thoroughly familiar with the application before the Commission in Case 2870?

A Yes, I am.

Q Is it your proposal to drill a well to test the Dakota formation in the South Half of Section 34, Township 25 North, Range 6 West, in Rio Arriba County, New Mexico?

A Yes, that is my intention.

Q Mr. Merrion, would you please outline the ownership of the various tracts contained in the South Half of said Section 34?

A There are two tracts contained in the South Half of 34,



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40-acre tract which is owned by the Merrion Trusts, of which George E. Brogan is Trustee and my brothers and myself are beneficiaries, and 10 percent of that tract is a lease, fee lease; and 25 percent is a fee lease, that's 65 percent fee mineral ownership; and 35 percent fee lease.

There are 280 acres which is a Federal lease owned jointly by a group of people, of which the E. P. Campbell Estate is one. They are all covered by an operating agreement except the E. P. Campbell Estate, and there's provision in their operating agreement for non-consent. Do you want a complete list of the people?

Q No, that's not necessary, thank you.

A Okay.

Q Then the lease which is not controlled by the applicant here is a 280-acre Federal oil and gas lease?

A That is correct.

Q Of which the Estate of E. P. Campbell, Deceased, owns an undivided 12-1/2 percent of the working interest?

A That is correct.

Q Have you made diligent effort to contact all the working interest owners in this 280-acre Federal oil and gas lease?

A Yes, sir, I have.

Q Have you been successful in making such contact?

A I have to a certain extent. I have contacted everybody except the E. P. Campbell -- or at least I have not received any



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reply from the E. P. Campbell Estate or the Halliburton Company, which is possibly a successor to their interest.

Q Have you reached an agreement with any of the working interest owners in the 280-acre Federal lease?

A Mr. Kay Kimball, who owns a majority interest in the Federal lease and who is operator, has agreed to join me. He's the only one that has so far. However, he has also agreed to succeed to the interest of those other parties covered by his operating agreement in the event they do not join.

Q To completely explain this position, am I to understand that the operating agreement to which you have referred gives the other owners in this lease, that is, other than Kay Kimball, the opportunity to participate in any well drilled on that land if they so desire?

A Yes.

Q And if they elect not to participate in the cost of drilling the well, is it then Mr. Kimball's option and privilege to proceed with the drilling of the well under the terms of that agreement?

A Yes, he will proceed with the drilling under the terms of that agreement.

Q And he will carry their interest, so to speak, and be reimbursed out of production, is that correct?

A Right, and everybody is covered under that agreement except the Campbell Estate.



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Q Have you attempted to contact or communicate with the representatives of the Estate of E. P. Campbell, Deceased?

A Yes, I have.

Q Would you please advise the Examiner in what nature you have attempted to so communicate?

A I wrote a registered letter with return receipt requested to the Estate of E. P. Campbell, in care of Mr. Chiardo Pierce, in Lubbock, Texas.

Q What was the date of that letter?

A April 24, 1963.

MR. COOLEY: Would you please mark that letter as Exhibit No. 1?

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

Q (By Mr. Cooley) Referring now to Exhibit No. 1, you said you sent this letter return receipt requested. Did you receive that?

A Yes, it was signed by Mr. Cecil Keith.

Q Do you know what his connection is with the Estate?

A I understand he's a son-in-law of Mr. Campbell.

Q Would you advise the Examiner of the contents of the letter?

A I will read it. It's addressed to the E. P. Campbell Estate, care of Chiardo Pierce, 1603 Broadway, Lubbock, Texas.

"It is my intention to drill a well to test the Dakota formation



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in the South Half of Section 34, Township 25 North, Range 6 West, Rio Arriba County, New Mexico. The estimated cost of drilling and completing this well is \$80,000. It is my understanding that the Estate of E. P. Campbell owns a one-fourth interest under the Federal lease which comprises 280 acres of this drilling block. Please be advised if you wish to join in the drilling of this well. The other working interest owners of this drilling block have expressed their desire to join in the drilling of this well and we will wish to commence shortly after June of this year. I appreciate your early reply. Yours very truly."

Q Does that conclude the letter?

A That concludes the letter.

Q On previous occasions has it been necessary to also force-pool other acreage in which the Estate of E.P. Campbell is involved?

A On one further occasion we did pool E. P. Campbell, on the adjacent drilling block on Section 35 of this same township.

Q In connection with the previous experience, is it your opinion that there will not be forthcoming from that Estate any offer to participate in the cost of drilling?

A There never was any contact made on the previous occasion, in spite of several letters written before and after and during the drilling of that well.

Q In your application, you refer to the Halliburton Company and Continental Emsco Company. Would you please advise the Examiner as to what interest, if any, they own in the acreage



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involved in this application?

A To my knowledge, the Estate of E. P. Campbell was bankrupt, and the Halliburton Company and Continental Emsco Company each had liens on certain of Mr. Campbell's lease interests. It was my understanding that they were eventually to own his interest in this lease.

Q Would this be through a foreclosure action in court?

A I don't know what the legal procedure would be. I presume that's true.

Q With this knowledge, have you also communicated with Continental Emsco and the Halliburton Company?

A Yes, on June 7th I wrote each of them a letter.

Q Were the contents of these letters substantially the same as that of the letter to Mr. Campbell?

A Yes, they are essentially the same content. They were certified and return receipts requested, and I do have the receipts.

Q Have you received a reply from each?

A Not from Halliburton, but I did receive a reply almost a month later from Continental Emsco Company.

Q Did they indicate any willingness to immediately participate in the drilling of this well?

A No willingness to do so immediately. They did -- well, let me read you the letter. "We have your letter of June 7th relative to your intention to drill a well and test the Dakota



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formation in the South Half of Section 34, 25 North, 6 West, Rio Arriba County, New Mexico. Continental Emsco and Halliburton Company are mortgagees of the interest of E. P. Campbell in this and other properties, and we are in the process of attempting to clear our title thereto. The writer plans to be in Farmington during the latter part of this month and would like to discuss this matter further at your convenience. Yours very truly, J. F. Wagenhauser, General Counsel."

Q If this application were granted as applied for, would it in any way prevent Continental Emsco or the Halliburton Company or both from participating in the drilling of this well at any time prior to its commencement?

A No, it would not prevent that.

Q What other established Dakota production presently exists in the South Half of Section 34?

A Oh, there are four producing Dakota wells on adjacent drilling blocks. In the North Half of Section 34, there is the Kay Kimball 1-34 Federal; on the West Half of Section 35 there is the Kay Kimball 3-35 Federal Unit; and on the East Half of Section 3, Township 24 North, Range 6 West, that's south of this proposed drilling block, there's the El Paso Natural Gas Company Canyon Largo Unit No. 1-17. That's three adjacent wells, not four.

Q Based on this information, are you of the opinion that the South Half of Section 34 is proven acreage with respect to the Dakota formation?



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A Yes, I think so.

Q Despite the fact that it is relatively safe to assume that the South Half of Section 34 is Productive of gas from the Dakota formation, in your opinion is there any risk involved in establishing such production?

A Very definitely.

Q What is the nature of these risks which are involved inherently in the drilling of a well of this nature?

A Well, probably the main risk in drilling a Dakota well anywhere in the Basin would be getting a well to take so long to pay out that you would be better off with money in a savings and loan account.

Q Mechanically speaking, are there also risks involved in the possibility of losing a well of this nature?

A Yes, I suppose there are some.

Q In view of the risks that you have outlined, do you feel that the application, if granted, should provide for risk factor?

A Yes, I do.

Q What percentage risk factor would you recommend?

A I have never heard of an operating agreement which was negotiated at arm's length which provided for less than 50 percent -- correction, or say 150 percent out of future production on any project that was undertaken without the consent of all parties, and I think that that should be the minimum.



Q In plainer words, you would recommend that the Commission in its force-pooling order follow the same procedures that are generally established in arm's length transactions in voluntary communitization agreements?

A Yes, I think so.

MR. COOLEY: Let the record show that the letters to the Halliburton Company and Continental Emsco Company are respectively marked Exhibits 2 and 3.

(Whereupon, Applicant's Exhibits Nos. 2 and 3 marked for identification.)

MR. COOLEY: At this time I respectfully move the admission of Exhibits 1, 2, and 3 into the record.

MR. NUTTER: Applicant's Exhibits 1 through 3 will be admitted into the record.

(Whereupon, Applicant's Exhibits Nos. 1, 2, and 3 admitted in evidence.)

Q (By Mr. Cooley) Mr. Merrion, is it your opinion that the granting of this application would be in the interest of orderly development of the Basin Dakota Gas Pool?

A Yes, sir, that is my opinion.

Q In this connection, do you believe that the granting of this application will prevent waste and protect correlative rights?

A Yes, I think that it will.

MR. COOLEY: No further questions.



MR. NUTTER: Anyone have any questions of the witness?

Mr. Durrett.

MR. DURRETT: Yes.

CROSS EXAMINATION

BY MR. DURRETT:

Q Mr. Merrion, what did you state the Campbell interest was, percentage-wise?

A I think Mr. Cooley stated it was one-eighth and I had mentioned in a letter that it was my understanding it was one-quarter. Actually, his vested interest is one-eighth, and by terms of their operating agreement he has an option to be reimbursed for 150 percent of another one-eighth. That is the reason I had stated in the letter I thought it was a quarter.

Q How much of this acreage do you have?

A I have 40 acres.

Q 40 acres. I take it from your testimony that you are not aware that a receiver has been appointed in the State of New Mexico to take over the Estate of E. P. Campbell and all of his assets in this State?

A No, I am not aware of that.

Q Well, the Commission has been so advised, not in connection with this case but in connection with another case. Now I can furnish you with the name of the receiver and the name of the attorney who represents the receiver. The receiver is Mr. Jim Bowen of Carlsbad, New Mexico, and the lawyer for the receiver

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is -- I don't remember his first name, but it's the attorney Mr. Payne with McCormick and Payne law firm. I'm sure Mr. Cooley can find his full name. He also represents Halliburton and Continental. With that information, I wonder if you would like an opportunity to contact the receiver and give him an opportunity to join on behalf of the E. P. Campbell Estate if he so desires.

A I'd be very happy to.

MR. COOLEY: Off the record.

(Whereupon, a discussion off the record was held.)

MR. COOLEY: In my opinion and officially in this record, I object to the particular ensnarment of any particular tracts being an objection to granting an application for force-pooling, because this is one of the major purposes of the Act itself is to circumvent these things.

In no way has anybody's rights been confiscated by being force-pooled. They're having the risk of having somebody drill a well free for them, though recommended by Mr. Merrion, 50 percent, the standard figure is much lower than that, usually in all respects it's a very reasonable forced communitization.

I think to establish a precedent that would make the particular legal ensnarment of title to a given tract a valid objection to granting an order even a valid reason for delaying it, is a very dangerous process.

MR. NUTTER: I want to ask Mr. Merrion a couple of questions here. This is on the record.



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BY MR. NUTTER:

Q Mr. Merrion, as I understand it, now in the South Half of Section 34, there are two tracts?

A That is correct.

Q One is a 40-acre tract which is a Fee tract, part in Fee, part is leased interest?

MR. COOLEY: It's all Fee.

A It's all Fee.

Q (By Mr. Nutter) You have an interest in this 40 acres?

A That is correct.

Q Now there's another tract that's 280 acres. The Estate of E. P. Campbell owns 12-1/2 percent undivided interest and a portion of the other eighth to be earned out of production?

A No, he owns one-eighth interest in that, period. I'm not sure what the nature of this other -- how I ever got this impression that he had a quarter. Can you explain that?

MR. COOLEY: Yes, this is a legal matter and it's simply a matter of legal interpretation rather than testimony. As you well know, many of the formations underlying a Federal oil and gas lease are segregated out and owned by different people. The Bureau of Land Management, by virtue of the rules and regulations of the Department of the Interior, prohibit the conveyance of what they call a record title to isolated formations. In plain words, they particularly prohibit any type of horizontal, or vertical, rather, segregation.



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Consequently, it's simply a legal fix whereby they assign operating rights. This particular instrument is an assignment of operating rights, assignment of 50 percent of the operating rights, three-fourths to Kay Kimball and one-fourth to E. P. Campbell. They're thereby assigned three-fourths of a half and one-fourth of a half, respectively, then, in the non-participation provisions of the operating agreement. That is, if one party elects to drill and another party or parties does not consent to drill and advance their share of costs, then the parties electing to drill have an option to proceed to do so and advance the cost of the non-participating parties and recover 200 percent out of production.

MR. NUTTER: So the Estate of E. P. Campbell held an eighth of this?

MR. COOLEY: Owns presently a one-eighth interest.

MR. NUTTER: And Kay Kimball owns the other seven-eighths of the working interest --

MR. COOLEY: He owns --

MR. NUTTER: -- of the 280-acre tract?

MR. COOLEY: He owns 75 percent, or 37.5 percent, and he has the right to advance the cost of the other 50 percent owners, which makes him 87-1/2 percent.

MR. NUTTER: He's got seven-eighths then?

MR. COOLEY: But not just an outright. 37-1/2 outright owner, and right to advance the costs for the other 50 percent and



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recover it out of production.

Q (By Mr. Nutter) And Kay Kimball has consented to go along with drilling this well?

A He has.

Q And pay his costs in advance?

A Yes.

MR. COOLEY: As well as the other 50 percent.

MR. NUTTER: So what we have here is one-eighth interest which is, it's requested that it be force-pooled. Now this one-eighth interest belongs to the Estate of E. P. Campbell, and the Halliburton Company and the Continental Emsco Division of Youngstown Sheet and Tube Company have a claim on this Campbell Estate?

MR. COOLEY: Have a recorded mortgage.

MR. NUTTER: How would you propose, in the event the Commission enters this forced-pooling order, how would you propose that Halliburton and Continental Emsco Division be allowed to come in and pay their share, if a penalty is assessed in the forced-pooling order, if a penalty is assessed against them and they pay their share before some deadline? Would they have to pay the penalty then, in your opinion?

MR. COOLEY: Well, of course not. That penalty only becomes effective in the case of non-participation.

MR. NUTTER: It becomes effective if their share is paid out of production?

MR. COOLEY: Correct.



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Q (By Mr. Nutter) What would you propose would be the deadline if they could come forth with their share of the well?

A Up to the date we commence the well.

Q Commence drilling the well?

A Correct.

MR. DURRETT: When do you propose to commence drilling the well, Mr. Merrion?

A Probably within four to six weeks, assuming that this order is granted.

Q (By Mr. Nutter) As I recall, some of the force-pooling orders that have been entered by this Commission allow the parties who are force-pooled a period of time, 30 days or 90 days after they receive a tabulation of the actual well costs, in which to pay their proportionate share. If they haven't paid it within that period of time after they have received the tabulation, then the assessment of their share plus the penalty goes against the production.

A I believe you are right.

Q What is the location in the South Half of Section 34 that you propose to drill, Mr. Merrion?

A Well, the topography is a little rough. The Canyon Largo Wash runs down through there. We selected a tentative location 1850 feet from the south and west lines.

Q What is the well in the North Half of this section?

A Kay Kimball 1-34 Federal.



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Q What's the location of that?

A It's in Unit H, which would be the Southeast of the Northeast.

MR. COOLEY: It's in F, isn't it?

A No.

Q (By Mr. Nutter) Then to the east of Section 35, the West Half, there is a unit; what's the location of that well?

A 790 from the east and west lines.

Q So it's down in M of Section 35?

A Yes.

Q What was the location of the Canyon Largo No. 17 in Section 3 to the south?

A Unit A, it's roughly 1090, I think, from the corner.

Q And there's no well directly to the west, is that correct?

A No, there's none, that's correct.

MR. DURRETT: I have an additional question, please.

BY MR. DURRETT:

Q Mr. Merrion, could you give us some figures on your estimate of the cost of operation on this well?

A I will not -- according to the agreement between Mr. Kimball and I, I am to drill the well and turn it over to him for the operation. We are in process of negotiating an operating agreement between us and he is operating another well jointly between us, and, however, it just went on the line here a few



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months ago. I don't know exactly what the operation costs will be. I presume that between -- well, I would say roughly \$100 a month.

Q What is that opinion based on?

A To my recollection, our agreement on this other operating agreement was that office and overhead costs and so forth were to be \$45.00 a month, and it's my estimate that probably pumpers' cost will run the balance.

MR. NUTTER: What is your present estimate of the cost of the well, \$80,000?

A \$80,000, that is correct.

MR. NUTTER: To drill and equip?

A To drill, complete, and equip. The other well I drilled on the adjacent block, I think the final cost was \$77,800 or something like that.

MR. NUTTER: Do you have anything more?

MR. DURRETT: That's all I have. Thank you.

MR. NUTTER: Any other questions of the witness? He may be excused.

(Witness excused.)

MR. NUTTER: I think we have already admitted your evidence, haven't we?

MR. COOLEY: Yes, we have.

MR. NUTTER: Does anyone have anything further to offer in Case 2870? We'll take the case under advisement, and the



hearing is adjourned.

(Whereupon, the hearing was adjourned.)

* * *

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

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 before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill, and ability.

WITNESS my Hand and Seal this 25th day of August, 1963.

Ada Dearnley
NOTARY PUBLIC

My Commission Expires:

June 19, 1967.

I hereby certify that the foregoing is a true and correct record of the proceedings in the hearing of Case No. 7870 heard by me on 7/24, 1963.

[Signature], Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 323-1182

SANTA FE, N. M.
PHONE 953-3971

ALBUQUERQUE, N. M.
PHONE 243-8691



OFF. 328-0181
RES. 327-9094

J. GREGORY MERRION
PETROLEUM ENGINEER
P. O. BOX 227
FARMINGTON, NEW MEXICO 87401

September 8, 1964

File
Case 2870

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

Attention: Mr. A. L. Porter

Re: Forced Pooling Order #R-2540

Gentlemen:

Pursuant to subject Order, the estate of E. P. Campbell, which was force pooled, is herewith notified of the final cost on that well.

Yours very truly,

J. Gregory Merrion
J. Gregory Merrion

JCM:ah

Encl.

J. GREGORY MERRION
PETROLEUM ENGINEER
P. O. BOX 887
FARMINGTON, NEW MEXICO 87401

September 8, 1964

REGISTERED
RETURN RECEIPT REQUESTED

Estate of E. P. Campbell
c/o Mr. Chiardo Pierce
1603 Broadway
Lubbock, Texas

Gentlemen:

Attached is a schedule of costs which comprise the final cost statement of the J. Gregory Merrion & Associates Federal Unit 3-34 well (now operated by the Estate of Kay Kimbell), located 1850' from the south line and 1190' from the west line, Section 34, T-25-N, R-6-W, Rio Arriba County, New Mexico.

This schedule of costs is presented to you in accordance with provisions of New Mexico Oil Conservation Commission Order #R-2540. In accordance with that order, you may, within 30 days from this date, elect to pay your proportionate share of the costs of this well, or, as an alternative, be charged from future production 125% of your share of these costs, after your share of operating costs has been deducted.

Yours very truly,

J. Gregory Merrion
J. Gregory Merrion

JGM:ah

Encl.

J. GREGORY MERRION & ASSOCIATES

Federal Unit 3-34

Interim Cost Statement

<u>Company</u>	<u>Invoice</u>	<u>Service</u>	<u>Amount</u>
Oil Well Supply	5962	Casing and Tubing	\$12,805.12
Roy Owen & Company	2321	Building location	472.26
Blackmon	1513	Cement	600.54
Reasley's Hot Shot	5235	Haul surface casing	65.82
Oil Well Supply	6018	Centralizer and Shoe	365.46
Drillers Equip	2289	Xmas tree and fittings	420.33
Justis Supply	F 7239	Cut casing and travel time	43.26
Baker Oil Tools	156062	Stage Cementing Collar	334.75
Verity, Burr & Cooley	10/24	Prepare Communitization and Operating Agreements	368.30
Jet-Tech	V-115	3-7/8" Rock Bit	52.34
Pico Drilling	393	Drilling	28,434.00
Lane Wells	69634	Elec log & Acoust log	1,758.24
Baker Oil Tools	156622	Tbg w/Bull plug and metal petalbasket	136.32
Magcohar	3640	Mud	1,323.63
Magcohar	3638	Mud	293.45
Magcohar	3639	Mud	692.86
Peerless Oil Tool	1232	Power Tongs	240.75
Justis Supply	9779	Sawtooth 2" cplg	2.12
Ernest V. Echohawk	2327	Stake location	77.25
Oil Field Rentals	4997	Bore flange	15.45
Baker Oil Tools	156619	Retrievamatic & bridge plug	616.71
Halliburton	189234	DST tools	572.17
G. O. Wire Line	63-137	Glass strip jet perf.	613.16
Oil Well Supply	6150	Scratcher and centralizer	246.49
Oil Well Supply	6033	8-5/8" Casing	721.17

J. GREGORY MERRION & ASSOCIATES

Federal Unit 3-34
Cost Statement

Page 2

<u>Company</u>	<u>Invoice</u>	<u>Service</u>	<u>Amount</u>
M & H Trucking	N-4235	Haul drilling oil	\$ 57.68
Baker Oil Tools	CM-4672	Tubing Sub w/Exp BP	(83.43)
Oil Well Supply	6171	Tubing cplg & seating nipple	9.06
Beasley's Hot Shot	5345,5340	Haul wellhead	38.83
Magcobar	CM-44	Mud	(691.05)
Halliburton	T-170016	DST	560.32
Atomic Sign	45069	Well Sign	18.46
Screw & Bolt Corp		Thread protectors	(52.91)
Oil Center Tool	3777	Wellhead	653.58
Dowell	180321	Cementing 4-1/2" casing	1,213.76
Dowell	180485	Sand Frack	6,288.34
J. Gregory Merrion	11-1	Engineering services	961.00
J. Gregory Merrion	11-2	Administrative OH	100.00
J. Gregory Merrion	11-3	Engineering services	161.50
Largo Management	10-28	Build fence	127.82
Oil Well Supply	6189,6188,6190, CM179,CM180	Tubular goods and freight	424.81
EPNG	GS-1063213	Gas connection	60.00
National Supply	21052	Tbg spool and gate valve	418.18
Lane Wells	71059	Credit on Gamma Ray	(704.60)
Oil Well Supply	CR 181	Stop ring, compound kit	(15.66)
Oil Well Supply	6256	Cameron Assembly	256.99
Allen Construction	15203	Roustabout work	3.93
Allen Construction	15204	Roustabout work	184.90
Oil Well Supply	6426	Small fittings	55.56
Oil Well Supply	6431	Small fittings	19.28
Key Kimbell	Material transfer	Tank and Tubing	1,348.00
J. Gregory Merrion		Long Distance Phone Calls	47.72
Construction Supply	809	Fencing	46.03
JGM & Assoc	Material transfer	Drilling oil	425.70

J. GREGORY MERRION & ASSOCIATES

Federal Unit #3-34
Cost Statement

<u>Company</u>	<u>Invoice</u>	<u>Service</u>	<u>Amount</u>
Fisher Mays		Geological Well Setting	\$ 240.00
BS & B	61038	Stairway and Labor	193.83
BS & B	60996	Production unit	4,821.91
Mark and Ina Elkins		Damages	100.00
Panhandle Steel		Glycol	173.92
Verity, Burr & Cooley		Force Pooling Hearing	216.48
Laughlin-Simmons		Elevation	20.00
Oilwell Supply	6425	Tank Battery fittings	234.70
Key Kimbell		Drilling Gas	185.11
Oilwell Supply	CM-199	4-1/2" casing	<u>(77.78)</u>
		FINAL COST	<u>\$69,313.97</u>

Estate of E. P. Campbell - 0.109375 \$7,581.22