

CASE 3473: Application of LAW
MAYER for compulsory pooling,
Chaves County, New Mexico.

Hearings De Novo
12-16-66

CASE NO.

3473

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

This is a fast message unless its deferred character is indicated by the proper symbol.

W. P. MARSHALL, President

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AL PORTER JR NEW MEXICO OIL CONSERVATION COMMISSION-

STATE LAND OFFICE BLDG COLLEGE AVE SANTA FE NMEX=

CONFIRMING YOUR TELCON WITH GUY BUELL THIS DATE

SS 8 11 237 99 PAN AMERICAN PETROLEUM CORPORATION WILL NOT

APPEAR FOR DE NOVO HEARING OF CASE NO. 3473 ON

12-16-66 IN VIEW OF FACT THAT COUNSEL FOR

APPLICANT MAYER ET AL WILL MOVE FOR DISMISSAL OF
POOLING APPLICATION BECAUSE VOLUNTARY AGREEMENT
HAS BEEN REACHED=

D L RAY==

3473 12-16-66=

WE WILL APPRECIATE SUGGESTIONS FROM OUR PATRONS CONCERNING ITS SERVICE

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

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

P. O. BOX 2088
SANTA FE

December 22, 1966

Mr. Guy Buell
Pan American Petroleum Corporation
Post Office Box 1410
Fort Worth, Texas 76101

Re: Case No. 3473
Order No. R-3141-A
Applicant:

LEN MAYER

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.
A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC

OTHER Mr. Jason Kellahin and Mr. James Sparling

**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. 3473
Order No. R-3141-A**

**APPLICATION OF LEN MAYER
FOR COMPULSORY POOLING,
CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing de novo at 9 a.m. on December 16, 1966, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 22nd day of December, 1966, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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 Case 3473, Application of Len Mayer for Compulsory Pooling, Chaves County, New Mexico, was heard by Examiner Daniel S. Nutter on October 11, 1966.

(3) That as a result of said hearing, Order No. R-3141, dated October 20, 1966, issued, pooling all mineral interests down to and including the San Andres formation underlying the NE/4 SE/4 of Section 1, Township 8 South, Range 30 East, NMPM, Chaves County, New Mexico.

(4) That Pan American Petroleum Corporation filed a timely request that said Case 3473 be heard de novo.

(5) That the applicant requesting an order force-pooling all mineral interests down to and including the San Andres formation underlying the above-mentioned quarter-quarter section, Len Mayer, has reached an agreement with other mineral interest owners in said quarter-quarter section and no longer desires to drill a well under the provisions of said Order No. R-3141.

(6) That the applicant requesting an order force-pooling said mineral interests, Len Mayer, appeared and requested that the application for said force-pooling be dismissed.

(7) That the applicant for hearing de novo, Pan American Petroleum Corporation, notified the Commission that it would not appear as a voluntary agreement had been reached whereby the applicant for force-pooling, Len Mayer, would move for dismissal of the action to force-pool the above-described quarter-quarter section.

(8) That the application of Len Mayer for the compulsory pooling of all mineral interests down to and including the San Andres formation underlying the NE/4 SE/4 of Section 1, Township 8 South, Range 30 East, NMPM, Chaves County, New Mexico, should be dismissed.

(9) That Order No. R-3141 pooling all mineral interests down to and including the San Andres formation underlying the NE/4 SE/4 of Section 1, Township 8 South, Range 30 East, NMPM, Chaves County, New Mexico, should be rescinded.

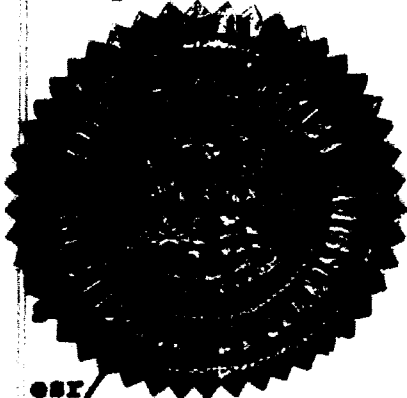
IT IS THEREFORE ORDERED:

(1) That Case 3473, Application of Len Mayer for Compulsory Pooling, Chaves County, New Mexico, is hereby dismissed.

(2) That Order No. R-3141 is hereby rescinded.

(3) 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

Guyton B. Hays
GUYTON B. HAYS, Member

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

20 Sep 68

NO. 3473

Comes now LEN FAYER and applies to the Oil Conservation Commission of New Mexico for an order force pooling all of the interests in the NE $\frac{1}{4}$ SE $\frac{1}{4}$, Section 1, Township 8 South, Range 30 East, N.M.P.M., Chaves County, New Mexico, and in support thereof would show the Commission:

2. The proposed drilling unit does not lie within an established oil or gas pool, nor within one mile from the outer boundaries of such a pool declared by the Oil Conservation Commission, and a well drilled thereon would be classified as a wildcat well under the Rules and Regulations of the Commission.

4. The owners have been unable to agree to pool their interests.

common source of supply.

6. Approval of this application will avoid the drilling of unnecessary wells and will protect correlative rights and prevent waste.

WHEREFORE, applicant prays that the Commission set this application for hearing before the Commission's duly appointed examiner, and after notice and hearing as provided by law, the Commission enter its order pooling the above-described tract, together with provision for allocation of costs of development together with a charge for the risk involved in drilling a well on said unit and for the payment of the same all as provided by law.

Respectfully submitted,

LEN MAYER

BY: Jason W. Kellahin
Jason W. Kellahin
Attorney for Applicant

KELLAHIN & FOX
Post Office Box 1769
Santa Fe, New Mexico

DOCKET: REGULAR HEARING - FRIDAY - DECEMBER 16, 1966

OIL CONSERVATION COMMISSION - 9 A.M., MORGAN HALL, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO

- ALLOWABEE: (1) Consideration of the oil allowable for January, 1967;
- (2) Consideration of the allowable production of gas for January, 1967 from thirteen prorated pools in Lea, Eddy, and Roosevelt Counties. Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico for January, 1967. Presentation of purchaser's nominations for the six-month period beginning February 1, 1967, for that area.

CASE 3473: (De Novo)

Application of Len Mayer for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the NE/4 SE/4 of Section 1, Township 8 South, Range 30 East, Chaves County, New Mexico. Upon application of Pan American Petroleum Corporation, this case will be heard De Novo under the provisions of Rule 1220.

CASE 3454 (De Novo)

Application of Yates Petroleum Corporation for pool consolidation and extension, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the consolidation of Four Mile-San Andres Pool and the Penasco-San Andres Pool, Eddy County, New Mexico, into one pool, and for vertical extension of said pool to include both the San Andres and Yeso formations.

Upon the request of Yates Petroleum Corporation, and pursuant to the provisions of Rule 1220, Case No. 3454 will be heard De Novo to consider modification of Order No. R-3140 to delete any express or implied requirement that more than one single string of casing be set at the top of the pay for wells in the Penasco Draw San Andres-Yeso Pool.

CASE 3502: Application of Yates Petroleum Corporation for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the drilling, casing, cementing, and plugging of all wells drilled to and completed in the Eagle Creek-San Andres and the Penasco Draw San Andres-Yeso Pools, located within the horizontal limits of the Roswell Artesian (underground water) Basin, Eddy County, New Mexico.

-2- December, 1966 Regular Hearing

CASE 3503: Southeastern New Mexico nomenclature case calling for an order for the creation of one pool and the assignment of an oil discovery allowable therein, and the creation, contraction, and extension of certain other pools in Lea, Chaves, and Roosevelt Counties, New Mexico:

(a) Create a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production and designated the Vada-Pennsylvanian Pool, comprising the following-described acreage:

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM
SECTION 20: NW/4

Further, for the assignment of approximately 48,960 barrels of oil discovery allowable to the discovery well, Midwest Oil Corporation's Vada Lee Pruitt Well No. 1, located in Unit C of said Section 20.

(b) Create a new pool in Lea County classified as an oil pool for Bone Springs production and designated as the Midway-Bone Springs Pool, and described as:

TOWNSHIP 17 SOUTH, RANGE 36 EAST, NMPM
SECTION 13: NE/4

(c) Create a new pool in Lea County classified as an oil pool for Lower Wolfcamp production and designated as the Moore-Lower Wolfcamp Pool, and described as:

TOWNSHIP 11 SOUTH, RANGE 32 EAST, NMPM
SECTION 25: NW/4

(d) Contract the vertical limits of the Moore-Wolfcamp Gas Pool in Lea County, New Mexico, with special vertical limits defined as being from the top of Wolfcamp at 8080 feet to shale break at 8278 feet as in Texaco, Inc., J. H. Moore No. 4, located in Unit C of Section 25, Township 11 South, Range 32 East, NMPM. Redesignate said pool as Moore-Upper Wolfcamp Gas Pool.

(e) Extend the North Bagley-Wolfcamp Pool in Lea County to include therein:

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
SECTION 14: SE/4

(f) Extend the Blinebry Gas Pool in Lea County to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
SECTION 8: SE/4

-3- December, 1966 Regular Hearing

(g) Extend the Cato-San Andres Pool in Chaves County to include therein:

TOWNSHIP 8 SOUTH, RANGE 30 EAST, NMPM
SECTION 3: SE/4
SECTION 11: SE/4
SECTION 12: SW/4
SECTION 13: NW/4

(h) Extend the Chaveroo-San Andres Pool in Chaves and Roosevelt Counties to include therein:

TOWNSHIP 7 SOUTH, RANGE 33 EAST, NMPM
SECTION 14: E/2
SECTION 23: NW/4

TOWNSHIP 7 SOUTH, RANGE 34 EAST, NMPM
SECTION 18: SE/4
SECTION 29: NW/4
SECTION 30: S/2

TOWNSHIP 8 SOUTH, RANGE 33 EAST, NMPM
SECTION 6: SW/4

(i) Extend the Langlie-Mattix Pool in Lea County to include therein:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
SECTION 3: SW/4

(j) Extend the Vacuum-Glcrieta Pool in Lea County to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
SECTION 24: NW/4

(k) Extend the Vacuum-Wolfcamp Pool in Lea County to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
SECTION 23: SE/4

CASE 3504: Northwestern New Mexico nomenclature case calling for an order extending existing pools in Rio Arriba, Sandoval, and San Juan Counties, New Mexico.

(a) Extend the Aztec-Pictured Cliffs Pool boundary to include therein:

TOWNSHIP 28 NORTH, RANGE 8 WEST, NMPM
SECTION 7: All of partial section
SECTION 16: NW/4

-4- December, 1966 Regular Hearing

TOWNSHIP 28 NORTH, RANGE 9 WEST, NMPM
SECTION 31: NW/4

TOWNSHIP 29 NORTH, RANGE 9 WEST, NMPM
SECTION 20: SE/4
SECTION 28: W/2
SECTION 29: All
SECTION 33: E/2
SECTION 34: W/2

TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM
SECTION 32: NW/4

(b) Extend the Blanco-Pictured Cliffs Pool to include therein:

TOWNSHIP 29 NORTH, RANGE 8 WEST, NMPM
SECTION 7: N/2

TOWNSHIP 29 NORTH, RANGE 9 WEST, NMPM
SECTION 12: E/2 & SW/4
SECTION 13: All
SECTION 14: All
SECTION 21: E/2
SECTION 22: E/2 & SW/4
SECTION 23: All
SECTION 24: All
SECTION 26: All
SECTION 27: W/2 & NE/4

TOWNSHIP 30 NORTH, RANGE 8 WEST, NMPM
SECTION 31: E/2

TOWNSHIP 30 NORTH, RANGE 9 WEST, NMPM
SECTION 5: All
SECTION 6: E/2
SECTION 7: E/2
SECTION 8: All
SECTION 13: SW/4
SECTION 14: S/2
SECTION 17: All
SECTION 18: E/2
SECTION 19: All
SECTION 20: N/2
SECTION 23: All
SECTION 26: NE/4
SECTION 27: W/2 & NE/4

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM
SECTION 24: E/2

-5- December, 1966 Regular Hearing

(c) Extend the South Blanco-Pictured Cliffs Pool to include therein:

TOWNSHIP 23 NORTH, RANGE 2 WEST, NMPM
SECTION 22: NW/4

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM
SECTION 25: N/2 & SW/4

TOWNSHIP 27 NORTH, RANGE 9 WEST, NMPM
SECTION 6: E/2

(d) Extend the Blanco-Mesaverde Pool to include therein:

TOWNSHIP 26 NORTH, RANGE 9 WEST, NMPM
SECTION 2: E/2

TOWNSHIP 27 NORTH, RANGE 8 WEST, NMPM
SECTION 34: All

TOWNSHIP 27 NORTH, RANGE 9 WEST, NMPM
SECTION 34: N/2
SECTION 35: All

(e) Extend the Mesa-Gallup Oil Pool to include therein:

TOWNSHIP 32 NORTH, RANGE 17 WEST, NMPM
SECTION 30: W/2 NW/4

TOWNSHIP 32 NORTH, RANGE 18 WEST, NMPM
SECTION 25: NE/4 NE/4

(f) Extend the South Blanco-Tocito Oil Pool to include therein:

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM
SECTION 21: N/2

(g) Extend the Table Mesa-Pennsylvanian "C" Oil Pool to include therein:

TOWNSHIP 28 NORTH, RANGE 17 WEST, NMPM
SECTION 27: SE/4 SW/4 & SW/4 SE/4
SECTION 33: NE/4
SECTION 34: NW/4

(h) Extend the Tocito Dome-Pennsylvanian "D" Oil Pool to include therein:

TOWNSHIP 26 NORTH, RANGE 18 WEST, NMPM
SECTION 9: SW/4

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO

October 25, 1966

C
O
P
Y

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: Case No. 3473
Order No. R-7141

Dear Sir:

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

Please be advised that although said order is dated October 20, 1966, the order was not officially entered until today. October 25, 1966, is considered the effective date of the order.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/DSH/ir

cc: Mr. Guy Buell
Mr. James Sparling
Oil Conservation Commission - Hobbs and Artesia

DOCKET MAILED

Date 10-25-66

PAN AMERICAN PETROLEUM CORPORATION

OIL AND GAS BUILDING P. O. BOX 1410

FORT WORTH, TEXAS—76101

D. L. RAY
DIVISION ENGINEER

November 21, 1966

File: GHF-423-986.510.1

Subject: Case No. 3473, Application of
Len Mayer for Compulsory Pooling,
Chaves County, New Mexico

AIRMAIL

Mr. A. L. Porter, Jr. (3)
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico, 87501

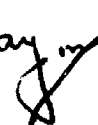
66 NOV 22 AM 8

Dear Sir:

The above-referenced case was held before Examiner
Daniel S. Nutter on October 11, 1966. On October 25, 1966, the
Commission officially entered its Order No. R-3141 in this case.

Pan American Petroleum Corporation, a party adversely
affected by Order No. R-3141, respectfully requests a hearing de
novo before the Commission as provided by Section 65-3-11-1 of the
New Mexico Statutes, 1953 Compilation, and Rule 1220 of the Com-
mission's Rules and Regulations.

Yours very truly,

D. L. Ray 

GTB:df

CC - Mr. Jason Kellahin
P. O. Box 1769
Santa Fe, New Mexico

DOCKET MAILED

Date 12-2-66

Len Mayer
OIL FIELD ENGINEER

P. O. BOX 1498
ROSWELL, NEW MEXICO
PHONE: SUB. 622-1400
RES. 622-6301

October 27, 1966

65 OCT 28 PM 1 10

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Attention: A.L. Porter, Jr.

Re: Case No. 3473
Order No. R-3141

Dear Mr. Porter:

In accordance with the captioned case and order dated October 20, 1966, and particularly sub-paragraph (4) of said order, please find enclosed itemized schedule of estimated well costs.

The well in question will be located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of section 1, Township 8 South Range 30 East, Chaves County, New Mexico, and will be captioned the Len Mayer-Robert Haynie #1 A.R. McQuiddy.

I am at this writing furnishing under separate cover, by certified mail, copies of this letter and itemized schedule of estimated well costs to Pan American Petroleum Corporation and Mobil Oil Corporation as specified in sub-paragraph (4) of your order.

Very truly yours

Len Mayer
Len Mayer

LM/vj
encl (1)

cc: Pan American Petroleum Corporation
Mobil Oil Corporation
Jason W. Kellahin

DOCKET MAILED

Date 12-2-66

LEN MAYER-ROBERT L. HAYNIE

#1 A.R. McQuiddy Well

NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 1, Twp. 8S,
Rge. 30E, Chaves County,
New Mexico

AUTHORITY FOR EXPENDITURE

Estimated Cost
of Drilling

Surveying location

\$ 100.00 OCT 28 PM 1 10

Location & road damage - 240 rds.
road @ \$1.50 + well location @ \$300.00

660.00

Building road and location

5,000.00

Drilling Costs (water by contractor)

14,800.00

Coring and rig time

3,600.00

Surface Casing 400' 8-5/8" @ 3.25
+ hauling

1,300.00

Cement and Cementing Surface Casing

750.00

Logs

1,648.00

Miscellaneous Expenses

500.00

Mud and Oil

1,500.00

Geological Supervision

500.00

Administrative Overhead

500.00

ESTIMATED COST TO DRILL AND LOG

\$ 30,858.00

LEN MAYER-ROBERT L. HAYNIE
#1 A. R. McQuiddy Well
(Page 2)

<u>AUTHORITY FOR EXPENDITURE</u>	<u>Est. Cost of Completion</u>
Casing - 4½" 3700 ft. @ \$1.30	4,810.00
Centralizer and Scratcher	250.00
Cement and Cementing 4½" casing	2,500.00
Perforating	850.00
Acidizing	1,800.00
Tubing 2"-3600 ft. @ \$.76	2,736.00
Pulling Unit - Completing & Swabbing	3,000.00
Anchor Service	150.00
Well Head Equipment	1,200.00
Packer	500.00
Connections and Flow Lines	1,000.00
Engineering Services	750.00
Frack Job and Oil	3,000.00
Pumping Unit	3,000.00
Rods 3/4"-3,600' @ \$.36	1,296.00
Tank Battery	3,000.00
Heater Treater, Separator	3,000.00
Down Hole Pump	500.00
ESTIMATED COST OF COMPLETION	<u>\$ 33,342.00</u>
ESTIMATED COST TO DRILL & LOG	\$30,858.00
ESTIMATED COST OF COMPLETION	<u>\$33,342.00</u>
ESTIMATED COST OF COMPLETED WELL	<u>\$ 64,200.00</u>

DISTRIBUTION OF COSTS

Len Mayer 3/16
Pan American Petroleum Corporation 5/16
Mobil Oil Corporation 8/16

OPERATOR'S APPROVAL:

Date 10-27-66

Len Mayer

NON-OPERATOR'S APPROVAL

Date _____

Mobil

P. O. Box 820
Roswell, New Mexico 88201

November 15, 1966

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

RE: Case No. 3473
Order No. R-3141

66 NOV 16 AM 8 00

Gentlemen:

This is to advise that Mobil Oil Corporation has decided not to join Mr. Len Mayer in the drilling of the well to be located in the NE/4 SE/4 of Section 1, Township 8 South, Range 30 East, Chaves County, New Mexico, which is to be captioned the Len Mayer-Robert Haynie No. 1 A.R. McQuiddy.

Mobil Oil Corporation has elected to permit the 40 acre force pooling to prevail as outlined in the New Mexico Oil Conservation Commission Order No. R-3141.

Very truly yours,

MOBIL OIL CORPORATION

DHJ/ab

BY *D. H. Janke*
D. H. Janke
Landman

DOCKET MAILED

Date 12-2-66
la

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. 3473
Order No. R-3141

APPLICATION OF LEN MAYER
FOR COMPULSORY POOLING,
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 11, 1966, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 20th day of October, 1966, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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, Len Mayer, seeks an order pooling all mineral interests down to and including the San Andres formation underlying the NE/4 SE/4 of Section 1, Township 8 South, Range 30 East, NMPM, Chaves County, New Mexico.
- (3) That the motion of Pan American Petroleum Corporation and of Mobil Oil Corporation for dismissal of the subject case should be denied.
- (4) That the applicant has the right to drill and proposes to drill a well in the NE/4 SE/4 of said Section 1 to the San Andres formation.
- (5) That there are interest owners in the proposed spacing unit who have not agreed to pool their interests.

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

(7) That the applicant should be designated the operator of the subject well and unit.

(8) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(9) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 35% thereof as a reasonable charge for the risk involved in the drilling of the well.

(10) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(11) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(12) That \$125.00 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.

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

-3-

CASE No. 3473

Order No. R-3141

IT IS THEREFORE ORDERED:

(1) That the motion of Pan American Petroleum Corporation and of Mobil Oil Corporation for dismissal of the subject case is hereby denied.

(2) That all mineral interests, whatever they may be, down to and including the San Andres formation underlying the NE/4 SE/4 of Section 1, Township 8 South, Range 30 East, NMPM, Chaves County, New Mexico, are hereby pooled to form a 40-acre oil spacing unit to be dedicated to a well to be drilled in the NE/4 SE/4 of said Section 1.

(3) That Len Mayer is hereby designated the operator of the subject well and unit.

(4) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 15 days following the date of this order.

(5) That within 20 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(6) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(7) That within 30 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated well costs in advance as provided above shall pay to the operator his pro rata share of the amount that

-4-

CASE No. 3473
Order No. R-3141

reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 20 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 35% of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 20 days from the date the schedule of estimated well costs is furnished to him.

(9) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(10) That \$125.00 per month is hereby fixed as the reasonable cost of operating the subject well, and the operator is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(11) 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.

(12) 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.

(13) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Chaves County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify

-5-
CASE No. 3473
Order No. R-3141

the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(14) 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

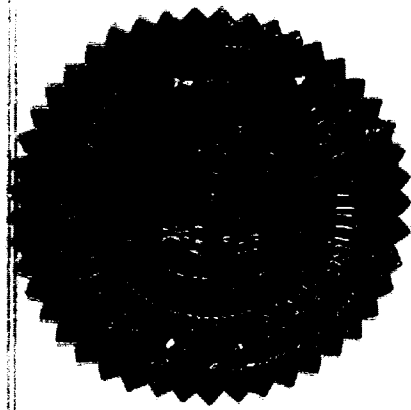
JACK M. CAMPBELL, Chairman

Guyton B. Hays

GUYTON B. HAYS, Member

A. L. Porter, Jr.

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



esr/

ATWOOD & MALONE
LAWYERS

P. O. DRAWER 786
TELEPHONE 505 622-6221
SECURITY NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO
88201

JEFF D. ATWOOD (1883-1960)
ROSS L. MALONE
CHARLES F. MALONE
RUSSELL D. MANN
PAUL A. COOTER
BOB F. TURNER
ROBERT A. JOHNSON
JOHN W. BASSETT, JR.

OCTOBER
7th
1966

Mr. A. L. Porter, Jr.
Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Dear Mr. Porter:

For Pan American Petroleum Corporation, we enclose
our Entry of Appearance in Case No. 3473 on the
October 11 docket, and in Case No. 3477 on the October
19 docket.

Thank you for your kind assistance and with regards,

Very truly yours,

ATWOOD & MALONE

By: 

C
F
M

*

v
Encls.

CC: J. K. Smith, Esquire w/enc.

66 OCT 10 AM 10 17

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
LEN MAYER FOR COMPULSORY POOLING
OF INTERESTS IN NE/4SE/4, SECTION 1,
TOWNSHIP 8 SOUTH, RANGE 30 EAST,
CHAVES COUNTY, NEW MEXICO.

No. 3473

ENTRY OF APPEARANCE

The undersigned attorneys, Atwood & Malone, duly
licensed to practice law in New Mexico, hereby enter appear-
ance in this cause as co-counsel with Guy Buell, Esquire, of
Fort Worth, Texas, in behalf of Pan American Petroleum Cor-
poration.

DATED at Roswell, New Mexico, this 7th day of
October, 1966.

ATWOOD & MALONE

By Charles E. Malone
P. O. Drawer 700
Roswell, New Mexico

CASE 3472: Application of Monsanto Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Shoe-Bar Pennsylvanian Oil Pool, Lea County, New Mexico, including a provision for 80-acre proration units.

CASE 3473: Application of Len Mayer for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the NE/4 SE/4 of Section 1, Township 8 South, Range 30 East, Chaves County, New Mexico.

CASE 3474: Application of Tenneco Oil Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute the waterflood project by the injection of water into the Premier zone of the Grayburg formation through four wells located in Sections 18 and 19, Township 16 South, Range 30 East, West Henshaw-Grayburg Pool, Eddy County, New Mexico.

CASE 3298 (Reopened)

In the matter of Case 3298 being reopened pursuant to the provisions of Order No. R-1670-G to permit all operators in the Todd-San Andres Pool, Roosevelt County, New Mexico, to appear and present all available information concerning the effectiveness of the temporary special rules promulgated by Order No. R-1670-G for said pool, particularly as they relate to the effectiveness of the volumetric formula established for limiting withdrawals of gas from the gas-cap area of said pool, and to the area which can be economically and efficiently drained by one well.

CASE 3475: Application of Marathon Oil Company for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Indian Hills Unit Well No. 6 "Comm" at an unorthodox location 1440 feet from the South and East lines of Section 17, Township 21 South, Range 24 East, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

DOCKET: EXAMINER HEARING - TUESDAY - OCTOBER 11, 1966

9 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, Alternate Examiner:

CASE 3439: (Continued from the September 7, 1966 examiner hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Scanlon and Shepard and all other interested parties to show cause why the following Scanlon and Shepard wells in Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program: Santa Fe Pacific Railroad Lease: Wells Nos. 1, 3, 4, 5, 7, and 8, all in Unit P, No. 10 in Unit H, and No. 2 in Unit L, all in Section 21; Well No. 6 in Unit L and Nos. 9 and 12 in Unit M of Section 22 and Nos. 11 and 13 in Unit D of Section 27. Ray Well No. 1 in Unit C, State Wells Nos. 1 and 2 in Unit A, and State K-1883 No. 1 in Unit B, all in Section 28.

CASE 3440: (Continued from the September 7, 1966 examiner hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Osborn & Weir, and all interested parties, to show cause why the following Osborn & Weir wells in Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program: Scanlon Well No. 17 in Unit P of Section 21 and Nos. 14 and 18 in Unit M of Section 22, Scanlon Ray Wells No. 5 in Unit A and No. 6 in Unit C of Section 28.

CASE 3441: (Continued from the September 7, 1966 examiner hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit LaMar Trucking, Inc., and all interested parties, to show cause why their State Well No. 1 located 495 feet from the North and West lines of Section 28, Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 3471: Application of Chambers & Kennedy for an exception to Rule 301(b), Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Rule 301(b) of the Commission rules and regulations which provides for the cancellation of allowables for wells with delinquent Forms C-116. Applicant seeks reinstatement of eleven days' allowable to its Delhi-Taylor State Well No. 2 in Unit O of Section 34, and its Abo Well No. 1 located in Unit N of Section 27, Township 17 South, Range 28 East, Empire-Abo Pool, Eddy County, New Mexico.

NEW MEXICO OIL CONSERVATION COMMISSION

Examiner Hearing

Santa Fe, NEW MEXICO

REGISTER

HEARING DATE October 11, 1966

TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:
<i>Gray M. Seung</i>	<i>Spelly</i>	<i>Julia Box 1650.</i>
<i>Martin L. Albrey and Jack Alexander</i>	<i>Chambers & Kennedy</i>	<i>607 Midland National Bank Bldg, Midland, Texas</i>
<i>John D. McBride</i>	<i>Kerr-McGee Corp.</i>	<i>Oklahoma City, Okla.</i>
<i>Guy Buell</i>	<i>Pan Am</i>	<i>Fort Worth</i>
<i>George Ford</i>	<i>Pan Am</i>	<i>Santa Fe,</i>
<i>A.L. Porter Jr</i>	<i>OLL</i>	
<i>R.T. Scott</i>	<i>TEXACO</i>	<i>Roswell</i>
<i>CL WHIGHAM</i>	<i>TEXACO</i>	<i>MIDLAND</i>
<i>N. DuVernoy</i>	<i>Ch. Bigham</i>	<i>Santa Fe.</i>
<i>James C. Holt</i>	<i>Health Broker and Wholesaler</i>	<i>Roswell</i>
<i>PG ANDERSON</i>	<i>MONSANTO</i>	<i>MIDLAND Tex</i>
<i>Paul Harrison</i>	<i>Monosanto</i>	<i>Midland Texas</i>
<i>Wm. B. Ellis</i>	<i>Monosanto Co.</i>	<i>Midland, Texas</i>

NEW MEXICO OIL CONSERVATION COMMISSION

Examiner Hearing

Santa Fe, NEW MEXICO

REGISTER

HEARING DATE October 11, 1966 TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:
R.C. SULLOCK	Sunray Oil Co.	Tulsa
L.J. Soter	Sunray DX Oil Co.	Roswell, N. M.
E.V. Stine	SUNRAY DX OIL	Midland Tex.
Jason Kellahan	Kellahan & Co.	Santa Fe
A.D. Peters Jr	Marathon Oil Co	Hobbs, N.M.
Boyle, self	Wells Fargo Bank	2 F
H.M. Anderson	Sinclair	Midland
William R. Loar	Sunray DX	Tulsa
James D. Jennings	Jennings & Coppel	Roswell N.M.
ROBERT F. BAKER	ATLANTIC RICHFIELD Co.	Roswell, N.M.
W. Kenneth Couch	Marathon Oil Co	Houston Tex.
Ralph L. Gray	Franklin, Astor & Fair	Artesia
J.E. Spurling	Mobil Oil Corp	Albuquerque.
Len Meyer	self	Roswell-
Joe S. McClellan	Indepent	Roswell

NEW MEXICO OIL CONSERVATION COMMISSION

Examiner Hearing

Santa Fe, NEW MEXICO

REGISTER

HEARING DATE October 11, 1966 TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:
WM. C. DURDEN	Self	712 Simms Bldg
Tom P. Stephens	Franklin, Aston & Fair, Inc.	Albq. N. M. 87101 Roswell, N. M.

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PAGE 1

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

October 11, 1966

Examiner HEARING

IN THE MATTER OF:

Application of Len Mayer for
Compulsory Pooling,
Chaves County, New Mexico

Case No. 3 4 7 3

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: The hearing will come to order, please.
The next case is Case No. 3473.

MR. HATCH: Case No. 3 4 7 3, Application of Len
Mayer for Compulsory Pooling, Chaves County, New Mexico.

MR. KELLAHIN: If the Examiner please, Jason Kellahin,
Kellahin and Fox, appearing for the Applicant.

MR. NUTTER: We will call for other appearances in
this case at this time.

MR. BUELL: For Pan American Petroleum Corporation,
Guy Buell.

I would like permission to make a brief preliminary
statement and motion after the appearances are completed.

MR. NUTTER: Any other appearances?

MR. SPERLING: Jim Sperling, Modrall, Seymour,
Sperling, Roehl & Harris, appearing for Mobile Oil Company.

MR. NUTTER: Any other appearances? Mr. Buell.

MR. BUELL: Mr. Examiner, on behalf of Pan American
Petroleum Corporation, I would like to call to your attention
that the forty acre tract Applicant is seeking to force pool
here is a portion of a larger lease.

According to my information, the ownership in this
larger lease is the Applicant has 3/16ths, Pan American has
5/16ths and Mobile has the remaining half interest. On
behalf of Pan American, I am going to move that this case

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be dismissed because it is fatally premature.

The Examiner is aware that the Commission's policy is they will not entertain or consider an application for force pooling unless and until the applicant has made a good faith, bonafide effort to voluntarily pool. Pan American has had no opportunity to consider voluntarily pooling their interest in this forty acres which the Applicant is attempting to force pool. For that reason, I move that this case be dismissed.

I might also point out to the Examiner that Applicant here, it is his objective for a well on this forty acres, which is the San Andres formation. In all probability, I think it is almost conclusive that that well will be in the Cato - San Andres Oil Pool. The Commission, at their regular hearing, next week, will consider the application of Pan American for the adoption of standard eighty-acre pro-ration units for the Cato - San Andres Oil Pool. I think for this reason, also, that this case is fatally premature.

Now if the Applicant intends here with his well, to be a true wild cat well, of course, at this time, he does not know whehter it will be oil or gas. If it is gas, he needs

a hundred and sixty acre unit, not a forty acre unit, so even if it is a true wild cat well, the application is premature.

So, for all those reasons, I respectfully move that this case be dismissed.

MR. SPERLING: Mr. Examiner, Mobile joins in Mr. Buell's motion to dismiss this application.

MR. KELLAHIN: If the Examiner please, as I understand the motion is based on the fact or the contention that this application is premature for three reasons; first, that there was no opportunity afforded Pan American to join into the drilling of this well, or pool their interests in this unit. We have a letter from Pan American which we will introduce which will refute that statement.

The pending application for eighty acre spacing which will be heard next week, that case was not filed and was not going to be heard at the time this application was filed and we submit as an operator and as an owner in the pool as defined by the Statutes, we have a right to bring this application to the Commission to be heard at this time.

The third contention is that we don't know if it's a true wild cat; whether it will be gas or oil, of course that is the situation on any wild cat well, you do not know whether you are going to get gas or oil. The Statewide Rules require you to have forty acres for an oil well and a hundred

and sixty acres for a gas well and in the event your oil well turns out to be a gas well, then you can rededicate acres to it, under the present rules of the Commission. So, I submit that none of the basis for the motion are valid.

MR. NUTTER: Mr. Buell, I am going to rule on your motion and deny it. I am going to take the points in the reverse of which you presented them.

Point three, that you did not know whether the well would be oil or gas, in my opinion, is an invalid argument for dismissal because if that were the case, we would never be able to force pool for any wild cat well unless you force pooled for the maximum tentative gas pro-ration unit which we have some six hundred and forty acres in this State. So the fact that we do not know whether it is going to be a gas well or an oil well, whether it's going to be forty acres, eighty acres or a hundred and sixty, three twenty or six forty, in my opinion, is not justification for dismissing the case.

Point number two, that we have a eighty acre case pending, as I understand it, this force pooling action is not brought to pool some individual tracts to form a forty acre unit. It is to pool some undivided interest, and the interest, I presume would be the same under a forty as they would an eighty. So if the eighty acre case which is pending should

result in an eighty acre order, so the ownership would be identical whether it would be forty acres or eighty acres.

Point number one, that no opportunity was given to Pan American to join in the drilling of a well, I think is substantially reputed by this letter which has been presented up here. It is not an exhibit as yet, but it is a letter from Pan American dated September the 12th, to Mr. Len Mayer from P. B. Abbey, Pan American Petroleum Corporation, in reply to Mayer's letter of September 1, requesting that we either farm out our interest in the N. J. Grays lease or join you in the drilling of a San Andres test in the NE 1/4 of the NE 1/4 of Section 12. We regret that we must advise at this time that Pan American is unwilling to either farm out it's interest or join you in the drilling of a well on this acreage.

MR. BUELL: Mr. Examiner, I was familiar with this letter, but if you will note, this letter does not refer to the forty acres that applicant is trying to pool here today.

MR. KELLAHIN: Would you join in drilling a well Mr. Buell?

MR. BUELL: Pan American would like to have the opportunity to consider it, which we have not had with regard to this forty acres.

This correspondence refers to a completely different forty acres, a completely different proposal. He is not here

today to force pool us in this forty acre unit; it is a completely separate and different one.

MR. NUTTER: This application is for the N E of the SE, and the letter refers to the NE of the NE. Is that the point you are making?

MR. BUELL: Yes, sir, actually, and unfortunately, this is going to cause further confusion. Our letter back to the applicant was not completely responsive in that we got the wrong quarter quarter section. So, really, what we need -- let me have the applicant's letter.

Mr. Mayer, by letter dated September 1, offered us the opportunity to join him in a forty acre unit in the San Andres well to be drilled to the Cato - San Andres oil pool pay and he wanted us to join him under the NW 1/4 of the NE 1/4 of Section 12. Now, the forty acre -- you do not have a plat before you, Mr. Examiner, the forty acre unit that he is attempting to force pool in here today is some distance removed from that forty acres, and incidentally, the moving of that proposed forty acre unit could certainly affect Pan American's consideration of an offer to join.

MR. KELLAHIN: If the Examiner please, I submit that we will cover this point in the testimony we offer, and to be heard, and I am sure that the Commission's Order will give Pan American an opportunity to join if they see fit, as the

usual order does.

MR. BUELL: May it please the Examiner, that is not the question. It is the policy of this Commission that an applicant will make a good faith, bonafide effort to voluntarily pool. My contention is that with regard to the forty acres that is the subject matter of this hearing, he has not made that effort and I think the case should be dismissed.

MR. PORTER: Mr. Buell, you are saying that you have only had an offer to join in this unit which is in the NW of the NE.

MR. BUELL: Yes, sir, of Section 12.

MR. PORTER: And not the one in question here today?

MR. BUELL: No, sir, if my memory serves me correctly, I believe this forty acres is in Section 1; it is not even in the same Section.

MR. KELLAHIN: If the Examiner please, our testimony will cover this, and we will show that Pan American was offered an opportunity to join. That will be a conclusion to be made by the Examiner, as to whether this was or was not done.

MR. NUTTER: To join in the drilling of a well in this particular forty, that's the force pooling action concerned?

MR. KELLAHIN: It's my understanding that the offer was to drill anywhere on this lease, and it was a flat refusal

to participate in any well, at any location on this lease.

MR. NUTTER: Was this a verbal offer?

MR. KELLAHIN: Yes, sir.

MR. BUELL: Well, Mr. Examiner, I am at a complete disadvantage there. I will say to the Examiner and under oath if Mr. Kellahin would like me to, that I have checked with all Pan American people to whom an offer, even verbal, such as this, was to be made and my answer was that the only offer we have ever had from this applicant was his letter of September 1, 1966, which discussed a completely different forty acre unit.

MR. NUTTER: May I see the letter of September 1, Mr. Buell?

Mr. Buell, I am going to overrule my ruling and save it for later. In the meantime, we will go ahead and hear the case and then we will rule on the motion at the conclusion of the evidence. We will see what evidence he has got here, of this verbal order.

MR. BUELL: Mr. Examiner, I am not arguing with the Examiner, but I would like to briefly comment on what you call points two and three, not by way of argument, but by way of explaining my position.

Actually, the fact that these are undivided interests was the reason that I thought the application was premature because

or those two facts. As I understand the law, an undivided interest owner has the right to drill anywhere on his undivided interest. He can assign eighty acres, he can assign forty acres, whatever the rules and the regulations of the Commission are, and he does not need to force pool anybody, he had that legal right. So, since he has that legal right, he is not trying to put the tracts together to make a standard unit, that's why I said the application was premature, because this applicant has a legal right, right now, to drill a well anywhere he wants to on this three hundred and twenty acre lease without force pooling anyone.

MR. NUTTER: The trouble is, he does not know when he has produced 3/16ths of the oil and has to quit.

MR. BUELL: Force pooling is not going to increase his share of the oil. By your order of force pooling, you are not going to give him any more than 3/16ths, I will guarantee you that, so he is 3/16ths, if he drills on his own, or if he force pools us, or if we voluntarily get together, which is what we should do.

MR. NUTTER: Would you proceed with your case, Mr. Kellahin?

MR. KELLAHIN: We have two witnesses that I would like to have sworn.

MR. PORTER: Mr. Examiner, you might have a short

recess, and see if they can get together.

MR. KELLAHIN: We offered to get together earlier; they did not indicate that they could.

MR. BUELL: May it please the Examiner, and Mr. Porter, unfortunately, I cannot speak with complete authority for Pan American. I am guided pretty strictly by directives and I have had no directives in this regard. It's just that common sense tells me that Mobile and Pan American and the applicant should get together.

MR. PORTER: I assume that Mr. Sperling does not have the power to enter into an agreement at this state.

MR. SPERLING: That is correct.

MR. NUTTER: We will go ahead and hear your case. Would the witnesses stand to be sworn, please.

(Whereupon the witnesses were sworn)

MR. KELLAHIN: I call my first witness, Mr. Mayer.

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Len Mayer.

Q What business are you engaged in Mr. Mayer?

A Independent Oil Producer, Roswell, New Mexico.

Q What connection do you have with Case No. 3473

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now pending before the Commission?

A I am the applicant.

Q Are you associated with anyone else in the ownership of this property?

A Yes, Mr. Robert L. Haney, Roswell, New Mexico.

Q Mr. Haney is present here today?

A Yes, he is.

Q Mr. Mayer, have you operated in southeastern New Mexico before as an oil operator?

A Yes, sir.

Q Have you had any experience in drilling San Andres wells in Chaves County?

A Yes; however, I have not been successful in getting any production in Chaves County.

Q Have you had experience in the drilling of oil wells in southeastern New Mexico?

A True.

Q Would you describe for the benefit of the Examiner just what the nature of that experience has been?

A I have been engaged as an independent in Southeast New Mexico, predominantly in search of San Andres production for the past ten to eleven years. I was instrumental in discovering the Milnesand San Andres field in 1958. I have production in the Mescalero San Andres field in Lea County,

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and I have royalties in the Flying M San Andres field in Lea County and I have drilled -- I don't know the exact count, but approximately thirty to fifty San Andres wells in the past ten years.

Q Are you familiar with the application that is being heard by the Commission at this time?

A In what respect, sir?

Q What do you propose in this application?

A I propose to protect my correlative rights involved in and under this three hundred and twenty acre tract as outlined here in color on the plat, which I furnished.

Q Referring to what has been marked as Exhibit No. 1 consisting of two pages, would you identify that exhibit?

A Well, Exhibit 1 gives a breakdown as to the leasehold and mineral ownership under the -- what was previously called the Grays tract, and since that time the Grays' mineral interest has been purchased by independent operators in Midland, Texas, by the name of Martin, Williams & Judson. This is the first page of Exhibit 1. It also shows the leasehold working interest. Assuming that Mobile Oil Company owns one-half interest of the minerals of this tract, intends to retain that mineral interest and operate thereon.

Q That is the fee interest, is that right?

A That is right, they own the minerals and the fee.

Q And the Martin, William E Judson is one-fourth?

A They own what was previously the Grays interest which was previously leased by Grays to Pan American Oil.

Q And the Bonnie Matlock Morrison interest --

A Is a undivided one-sixteenth interest, which was previously leased by Pan American.

Q Are they presently held by Pan American?

A To my knowledge, yes.

Q To the best of your knowledge, the dates shown on the right are the exploration dates of the various leases?

A That's correct.

Q And your lease expires March 22nd, 1967, is that correct?

A One of my leases.

Q One of your leases?

A Yes, sir.

Q Are these interests all undivided interests?

A That is correct, undivided in my case, and undivided in 3/16ths interest under a three hundred and twenty acre tract.

Q Does the first sheet of Exhibit No. 1 show the interest of the entire tract which is colored yellow on the second sheet?

A Yes, they are all the same.

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Q And you are proposing to form a unit consisting of the NE 1/4 of the SE 1/4 of Section 1?

A Correct.

Q That is what you are asking for at this time?

A Yes, sir.

Q Are you willing to drill a well on this unit if it is formed?

A Yes.

Q You understand, of course, that if you get a dry hole, you and your joint venture partner will bear the full cost, you understand that?

A Yes, I understand that.

Q In connection with the drilling of a San Andres well, do you encounter any problems in this area?

A The only real problem that I have ever encountered in drilling a San Andres well is drilling out from down under the under surface pipe to the total depth. We have a strata of about a thousand feet thickness which we call the red beds. Unless this particular strata is handled very carefully, there is a chance that you could lose the hole, of which has happened to me on two different occasions before reaching the total depth.

Q What are the drilling costs, usually, in this area?

A I would estimate a completed well at this depth

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to cost approximately \$50,000.00.

Q Do you consider that there are any risks involved in the possibility of encountering oil or gas at this location? Are you assuming any risks in drilling a well in hopes of getting oil or gas?

A Yes, I feel there is a risk.

Q Did you appraise the risk involved in drilling of this well?

A Yes, sir.

Q What would you estimate them to be under the provisions of our Statutes? You are familiar with them, are you not?

A No, I am not.

Q If I tell you that the New Mexico Force Pooling Statute permits the Oil Conservation Commission to allow a risk factor of 50% of the cost of the drilling of a particular well, would you consider that a reasonable risk factor in this case?

A Yes, sir.

Q Now, did you make any effort to obtain the cooperation of the other interests owners in drilling of the well you propose to drill?

A Yes, sir, I might press that fact by stating that I have, in the undivided one-eighth interest, which was taken

from the Trust Department of the Republic National Bank, Dallas, Texas, for the Selma E. Andres Trust. I think it is a known fact among land men of the major companies as well as independents in southeastern New Mexico, that this Trust is not leased land, per se, that is for periods of five years, ten years, one year, for a bonus consideration. They normally lease for a short period of time with an additional royalty and an obligatory or forfeit if you do not drill.

Q Forfeit the lease if you do not drill?

A Plus a money sum. This is my case in this situation. It is my entire reason for requesting forced pooling. I feel first, that this lease is essentially productive. I secondly feel that in order to protect my position, that I am going to have to drill it because I cannot re-negotiate the lease and if I did lose this lease, that it would cause me some grievance as far as money and loss of potential production.

Q Did you contact Mobile Oil Company?

A Yes, I did.

Q Did you do this personally?

A I did, verbally.

Q Who did you contact?

A Mr. Jim Posey, District Land Man, Roswell, New Mexico.

Q What were the results of your contact with Mr.

Posey?

A Mr. Posey advised me, after consulting his division officers, that Mobile Oil Company was unwilling to either join or farm out to me on any of this acreage; that they would prefer to wait for normal development.

Q When you say on any of this acreage, are you referring to the entire lease?

A Yes, sir.

Q Would that include the NE 1/4 of the SE 1/4 of Section 1?

A Yes, sir.

Q Was it your understanding from Mr. Posey that Mobile would not join in the drilling of a well on that acreage or give you a farm out or any other acreage covered by this lease?

A Yes, sir.

Q Did you contact Pan American?

A I might preface this regarding this, Mr. Haney, my associate in this matter, made personal contact over the phone --

Q He will testify to that himself.

A Well, I had no conversation with Mr. Abbey. This was all done by Mr. Haney. He will have to testify regarding this matter.

Q Did you write a letter to Pan American?

A Yes, I did.

Q Was that the letter that was referred to by Mr.

Buell in connection with his motion?

A Yes, sir.

Q And did you get a reply to that letter?

A Yes, sir, I did.

Q Was that the letter which has been marked as
Exhibit No. 2?

A That is correct.

Q That defines to join on as you have described,
the NE 1/4 of the NE 1/4 of Section 12, is that correct?

A That's correct.

Q You had no other contact with Pan American, I take
it?

A No, not other than by letter. Mr. Haney, in his
conversation, represented we were both associated in this and
I wrote the letter on my letterhead. I might add that I did not
ask for a farm out of any more acreage than one drill site so
that I might protect my position, and the reason I took this
action at the time that I did is because the time was running
and I felt if I were refused, as I have been, that it would be
necessary for me to come before the Commission and the time
factor itself is the reason for this situation. I personally

would welcome mobile and Pan American's joining me, and as far as that goes, if my present location is not agreeable, I certainly will be acceptable to discussing any other locations that they might have an interest in. My prime interest is to protect my rights, as I do feel that this potentially could all be productive.

Q Was Exhibit 1 prepared by you, or under your supervision?

A Yes, sir.

Q And Exhibit 2 is a copy of a letter received from Pan American in response to a letter written by you?

A Yes, sir.

MR. KELLAHIN: At this time, we offer Exhibits 1 and 2.

MR. NUTTER: Exhibits 1 and 2 will be admitted into evidence.

MR. KELLAHIN: This completes the direct examination of the witness.

MR. NUTTER: Are there any questions of this witness?

CROSS EXAMINATION

BY MR. BUELL:

Q When does this lease expire, that you were discussing, I don't believe you stated that.

A March 22nd, 1967. That is, a portion of my lease.

Q You say you are experienced in drilling San Andres wells. Do you know how long it takes to drill a San Andres well in this Cato area?

A Yes, approximately seven to eight days, that is without trouble, sir. Now, what I am saying, in my previous testimony, regarding the red bed situation, you can get in a situation where you have a fishing job that lasts long durations and during the fishing job could contaminate the red bed section to such a point that you could never get back in the hole again. This is what has happened to me in the past due to the fishing job.

Q Roughly how many San Andres wells would you say are drilled and completed in the Cato - San Andres pool?

A At the present time?

Q Yes.

A This plat of mine shows the producers, and I will just count them out for you.

Q Roughly is all right.

A In the field proper, it appears that there is between twelve and fourteen wells.

Q And there are several more drilling and in various stages of completion?

A Yes, sir.

Q It is a very active development program, is it not?

A Not as active as I would say of some other fields, I feel probably the company you represent is the most active in the area. The other companies are immediately located in the field, but they seem to take the position to let you all carry out the initial development.

Q Do you know of any of these wells that are completed or at any stage of drilling in Cato that have this trouble you discussed?

A Yes, sir, I know of one well, yes, sir.

Q What well?

A The Allied Chemical -- or I believe -- I don't know how they go, Union Texas or Allied Chemical No. 1 Cato well had red bed trouble; I understand, were unable to run open hole logs because of the ridging in the red bed zone and I do believe, went ahead and set pipe because it was a direct offset and used what we call a tie-in perforating log to complete the well.

Q How long did it take to drill that well?

A I don't have any figures on that, sir.

Q It did not take an unusual amount of time, though, even with the red bed troubles they had?

A I just do not know; I do know that they had difficulty in reaching bottom.

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Q All right, sir. In your testimony, you never mentioned waste prevention, so I assume by that that there is no waste prevention aspect to your application here today?

A Waste prevention?

Q Yes, sir, you know the primary responsibilities of this Commission are the prevention of waste and the protection of correlative rights. Is there any waste prevention aspect to your application?

A I would have to discuss this with Mr. --

MR. KELLAHIN: I think this calls for a legal conclusion.

MR. NUTTER: Do you want to pursue the question?

MR. BUELL: I would like the witness to answer it if he can; if he does not know, he can just say, I do not know. I don't want Mr. Kellahin to answer it for him.

MR. NUTTER: Mr. Mayer, in your opinion, is there any waste involved, if you do drill the well, or if you don't drill the well? Is the matter of the prevention of waste --

MR. KELLAHIN: If the Examiner please, it is the position of the applicant in this case that he has an expiring lease, and in order to protect his correlative rights under the Rules established by this Commission for the purpose of preventing waste, he must file an application before the Commission for relief to protect his correlative rights. Now,

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the waste we're talking about here is the waste that has already been determined by the Commission in setting up the State-wide rule on the drilling and completion of wells. We are trying to operate under those rules within the framework which was established providing for force pooling, and this makes no mention of the protection of the waste, as far as his correlative rights.

MR. NUTTER: I understand, Mr. Mayer, in your opinion, is the issue of waste involved here, or is it the matter of protection of correlative rights?

A Waste, to my knowledge is not involved.

MR. NUTTER: But the protection of correlative rights is your main concern in this case?

A Yes, sir.

MR. NUTTER: Mr. Buell.

Q (By Mr. Buell) Thank you, Mr. Examiner. Would you make an "X" mark on the second sheet of your Exhibit 1 for the quarter section that you discussed in your letter to Pan American, where you asked if we would like to join, and that you would like to have us.

A (witness complies)

Q The NW 1/4 of the NE 1/4 of Section 12?

A Yes, sir.

Q All right, sir. Now would you also put a cross

Q An "X" mark in the forty acre unit you are asking the Commission to force pool here today?

A (witness complies)

Q All right, sir, which of these two units that you have made an "X" mark over are closer to producing wells in the Cato - San Andres oil pool? Which the two?

A The NW of the NE of Section 12.

Q In other words, the forty acre unit that you first approached Pan American on?

A Yes, sir, I might add that one thing regarding this NW NE 12 that may show the manner in which I am requesting the NE SE of 1 would in fact be a better location at this time. Within the last few days, a well has been bottomed in the NW NW of Section 13, which from our previous geological work in the area, bottom much lower sub sea wise, or in the San Andres formation than we had expected from what geological work I have; regarding my acreage, it now appears that the location in the NE of the SE of Section 1 would, in fact, be a better location for a structure, if structure be the case, regarding the Cato - San Andres pool.

Q You said you were an old San Andres man?

A Yes, sir, not old.

Q Let me change that. You were an experienced San Andres man.

A All right.

Q Have you found structure to be too critical and whether or not the San Andres will be productive under a tract?

A Yes, sir, depending on the field you are talking about. I can name several fields where structure is a very critical matter; in fact, just the sub sea location of a well, whether the field is stratigraphic or not, does have effects, I'd say, in general, yes, structure has a great effect on San Andres production.

Q There are a lot of San Andres fields in this immediate area -- well, let me first ask you about Cato, based on the data that you have evaluated, do you think structure is critical with regard to productivity in the Cato area?

A Of course, Pan American has not released very many of their logs, so I have no way of determining that other than what I have been able to get.

Q Well, based upon what you have been able to get.

A Well, I would say for instance as an example, the discovery well located in the NW of the SW of Section 11 was drilled and completed as a very fine producer. The diagonal northwest off-set called the Pan American No. 1, Adco, in the SE of the NW ran geologically seventy-five feet high to that well and made an excellent well, also. Now, this is very

unusual in a San Andres formation in one location, see, structure at that shallow or depth and jump up seventy-five feet, so I would have to say from very little information I have regarding the production in the field proper, that the structure appears to play a part in the production and the planning for the production.

Q What specific geological data have you seen which leads you to believe that your forty acres in Section 1 that you are attempting to force pool here today would be better San Andres than the forty acres in Section 12 that you first approached us on? What geological data have you seen?

A Well, I had independent studies made of the entire region, and there is a point, I am sure, on this field where a well drilled down dip, so to speak, is going to encounter a situation where the oil zone will more than likely turn to water. This has been the standard condition in the San Andres field.

Q But actually, in the primary factors in determining whether or not a San Andres well will be productive in the area of the Cato - San Andres, is whether or not that particular location has porosity and permeability development?

A Yes, sir. In an instance, but in another case, it may have great porosity and permeability and we are going -- I can cite an example of a well in Section 13 I drilled

with Mr. Jack McClellan of Roswell whom I am personally acquainted with, that is some eight feet low, and was drilled prior to the discovery of the Cato field; from logs and core analysis due to the fact that they were highly water saturated, Mr. McClellan plugged his well.

Q He did not even test the San Andres, did he?

A No, to my knowledge he did not. It would appear -- now, I have been an associate of Mr. McClellan on several San Andres endeavors that all the information that he had available at that time indicated that the San Andres in that point was water bearing. So from what we have from that well and wells drilled in a general area, we are drawing a line right now on this well, and this new well in the NW NW in Section 13, that indicates that possibly, as you move down it, that you are going to encounter water in the Cato area, and this was the reason that I stated that it appeared to me that now with the latest information available, that possibly my location as proposed in this force pooling request in the NE SE could possibly be the best geological location.

Q All right, sir. Now you testified that unless the Commission approved this force pooling application, that your correlative rights would be violated?

A Yes, sir.

Q Would you please state, for the record, how?

A If I do not commence drilling operations on or before March 22nd, 1937, I will first, lose my lease on one-eighth of the interest which I have tentatively placed a value on. In addition to that, I will forfeit a cash consideration for not drilling this interest.

Q All right, sir, are those ways the only ways that you think your correlative rights can be violated, or can you think of any other reasons?

A I can think of one more. I think that this acreage is productive and I would be losing my proportion of the production.

Q Are those the only reasons that you can think of any way that your correlative rights will be violated if the Commission does not approve this application?

A Yes, sir.

Q All right, sir. Now, there is not a one of those things you named that you couldn't cure yourself by drilling a well without force pooling. Is that not correct?

A Well, I don't feel in normal operations, that I should be required to carry Pan American or Mobile in the drilling and carry them for 13/16ths interest when if they do not feel that they can farm out to me that they would not join. In other words, I feel that this is a two-way street; if they won't farm out, they should join. Therefore, I don't

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feel that because I am refused on both sides that I should be required to go in and drill and to carry them, in essence, is what I would be doing.

Q Would it be a fair summary of your answer to say you could do it, but you do not want to do it?

A Well, I think it would be inequitable if I did do it.

MR. BUELL: That's all I have, Mr. Examiner.

MR. NUTTER: Any other questions of this witness?

MR. SPERLING: I have got one or two.

CROSS EXAMINATION

BY MR. SPERLING:

Q Mr. Mayer, I have not seen the letter which was addressed by you or your associate to Pan American, but I assume it was essentially the same as the one dated September 1, 1966, addressed to Mobile Oil Corporation. That letter proposed a farm out to drill a well at a location at the NW of the NE of Section 12, which I gather was the same proposal you made to Pan American?

A Yes, sir.

Q Have you ever approached Mobile with reference to drilling the well which is the subject of this application?

A Yes, sir, I made a general approach regarding a location anywhere upon the acreage, and the general consensus

was to make my request in formal when I made my formal request, after making preliminary inquiry to make my formal request as close to the development that was going on at the time, as was practical on the acreage that I had. And for that reason, I made the specific request of the NW of the NE of Section 12. Yes, a general approach had been made with respect to any of the acreage. In fact, my approach to Pan American and Mobile both is along the lines of the very thing that I am requesting pooling on and that is to protect my rights and if they have any ideas as to a better one, then I propose that we should have a meeting of the minds on it, but I got total refusal in all respects.

Q Well, your letter further proposed that with that location, that you specified, that you considered that you would be granted a discovery allowable for a period of two years from the date of completion?

A I made that point in that letter because at the time, I was not aware of the possibilities or the ruling on this new discovery allowable which has come out. I was under the impression that if you located a mile from an existing field boundary that you might be entitled to a discovery allowable, and if that were so, that might add added impetus to Mobile to join me in the drilling of the well on my property, and I have since found out in the course of develop-

ment, has overruled this situation. Normal development now has moved, gone over toward this acreage and is outside of this boundary.

Q Then your impression that you qualified for a discovery allowable has been corrected?

A Even if I could have on a mile's limit now, any of my acreage is closer than a mile to the field.

Q You are not suffering any drainage at the moment, are you, as to your interest in this?

A No, sir.

Q So the correlative rights that you speak of are primarily of a contractual nature?

A That's right, yes, sir. Well, contractual to the effect that my lease is expiring. This has happened in many cases to major oil companies and independents alike and also, that I feel now, that while I have this lease, that as I explained to Mr. Buell, that it is essentially productive. Therefore that is an added reason for me to try to protect them.

Q You feel that the risk that you have mentioned is influenced more by the possibility of mechanical troubles or by the possibility of not reaching production in commercial quantity?

A Well, I feel that production in a commercial

quantity is very definitely possible. I added the fact of the additional risk of drilling which is something we always run into in drilling of any wells. I just specified those that we normally run into in the San Andres, normally. I could add that there is always a possibility of a blow-out and fire and other things such as that which could happen if the zone were productive enough.

MR. SPERLING: That's all.

MR. NUTTER: Are there any other questions of Mr. Mayer?

REDIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Mayer, is it your wish that you be designated operator of this unit, if the application is approved?

A Yes, sir.

MR. NUTTER: Mr. Mayer, I understood you to say that you, yourself, had contacted Jim Posey, the Mobile man, and that Mobile, through Mr. Posey, had declined to join you in the drilling of a well anywhere on the acreage?

A That's correct.

MR. NUTTER: I also got the inference that Mr. Haney had made the personal contact with the Pan American people and he will testify to this point?

A Yes, sir. In other words, I made the general

proposal, myself, and Mr. Haney, to all the parties involved with the idea, and early enough that we could satisfy our position anywhere on the lease, whatever they would be willing to do. Now, when I presented my formal letter, I presented it on the basis of the closed forty located to production.

MR. NUTTER: Now, your contact with Mr. Posey was before you wrote the letter of September 1?

A Yes, sir, and of course, Mr. Posey happened to have been gone during the time that I heard from Pan American. I advised him that I felt that due to the time factor that I would have to go ahead, or his offices, that I would have to go ahead and request a hearing on this because I did not know where I would be set up on the docket and when a decision would be reached. And in the meantime, this letter went through channels with Mobile Oil Company. I, as late as yesterday afternoon, called Mr. Posey, to advise him I was coming to Santa Fe in this matter, and he advised me to state in the hearing what I have already testified to.

MR. NUTTER: This contact that you made with him originally in which he declined in joining drilling of a well anywhere on the acreage, do you remember the date of that contact?

A It would have been prior to my letter. We could say -- my letter was dated September 1, factually speaking,

Mr. Posey, I don't feel, was empowered to give me any decision, but asked me to write a formal letter which he would have to submit through channels. I can say, probably, that the contact was made, the 30th of August, I think, because I was interested in expediting the matter, and I think it would be in there somewhere.

MR. NUTTER: Within a matter of a few days prior to writing this letter?

A Yes, sir, and of course, as you understand, due to the fact that this had to go through channels, Mr. Posey would only pass this on, as I understand, to his superiors, regarding my request. So that is the reason I requested the NW of the NE at that time, because of the proximity to production.

MR. BUELL: May it please the Examiner, I would like to renew my motion. I believe based on the testimony, this evidence shows that Mobile has had one offer and that was on the forty acres in Section 12, and not the forty acres that they are here today, trying to force pool. In view of his answer -- that is the record, Mobile has had one offer.

MR. NUTTER: Well, we are still going to withhold the ruling.

A May I add one thing. It is my frank opinion, if that's what the question is, that in essence, my location, further away would give them, if that were the case, greater

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grounds for refusal which they already turned me down on. I would, as I said, the reason I located in the NW NE, requested that, was because that it was the closest to production. As it's turned out now, my information, I feel that my request, in the NE and SE is probably better, geologically.

MR. NUTTER: Have you received a written reply from McBible?

A No. I asked them for one, and they did not give it to me, and advised me to testify to that; that they did not care to join me at this time, either to farm out or join me, but would prefer to wait for normal development.

MR. NUTTER: Are there any further questions of this witness:

MR. KELLAHIN: Was it your understanding of that answer that that covered any location on this lease?

A That's my understanding, sir.

MR. NUTTER: If there are no further questions the witness may be excused. We will recess at this time before we go on with the next witness, until 1:30.

(Afternoon Session of Case No.

3473)

MR. NUTTER: The hearing will come to order and we will resume case No. 3473. Mr. Kellahin, I think you were

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PAGE 37

ready to call another witness.

MR. KELLAHIN: Yes, sir.

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Robert L. Haney.

Q What business are you engaged in, Mr. Haney?

A Independent Oil Producer, Roswell, New Mexico.

Q Are you associated with Len Mayer in connection with what has been identified as the Grays lease in northeastern Chaves County?

A Yes, sir.

Q What is your interest?

A My interest is half of the 3/16ths working interest, a joint interest with Len Mayer.

Q In connection --

MR. BUELL: Pardon me, Mr. Kellahin, Mr. Examiner, I think it is pretty obvious, based on the testimony of the previous witness, that this witness will relate a telephone conversation he had with Pan American personnel. Of course, that is a classic example of hearsay and it is not admissible. However, if the Commission wants to hear it, I will not object to it. I would like to state that I intend, if the Examiner will let me, to relate for the record, a telephone conversation

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I had during the noon recess.

MR. NUTTER: All right, we will hear his telephone conversation, and then we will hear yours.

Q (By Mr. Kellahin) Mr. Haney, in connection with your interest in the Grays lease, did you have any contact with Mobile Oil Company?

A Len Mayer and I jointly contacted Jim Posey, initially, sometime in August, concerning a farm out.

Q Would you relate what occurred in connection with that contact?

A At that time, we asked Mr. Posey if Mobile would entertain a farm out on their undivided one-half mineral interest, and Mr. Posey stated that he did not have any authorization, but that he would suspect that Mobile would join in drilling a well with us, and suggested that we contact Pan American to see what they would do.

Q Was this a personal conversation, or was this by telephone?

A A personal conversation;

Q Who was present at that conversation?

A Just the three of us.

Q What action did you then take?

A Then I contacted Pan American by telephone. I believe, I am not sure, but I believe I talked to John

Thompson.

MR. BUELL: To who?

A John Thompson, and told John that we had an undivided interest in this three hundred and twenty acres; that we were interested in drilling a well up there, and we would like to request a farm out from Pan American, and draw our hole money. John stated then, he said, "well, put it in some form of terms, and we will run it by management and see what their feeling is."

Q Getting back to Mobile, what then occurred in connection with your contact with Mr. Posey?

A We didn't make any additional contact. Posey's stand was to wait and see what Pan American would do.

Q Did you have any further contact then with Pan American?

A Well, we didn't receive a reply from Pan American, and I called them and at that time --

Q Who did you call this time?

A I believe I talked to Pete Abbey, I am not certain, I made several -- it was either Pete Abbey or Ben May.

Q When was this?

A This was in the latter part of August.

Q What occurred then?

A He stated that they were not interested in making

a farm out at this time, and that the deal, or request, had been rejected.

Q Did this apply to the entire lease?

A At that time, he said they would not be interested in making a farm out of any type, and I asked him if there was any other proposal we could make in lines of a farm out, no; he just turned it down flat. We, at a later date, talked to Mobile, and related the fact that Pan American would not farm out and that we would like to then drill a well, and get them to join us.

Q What response did you get to that proposal?

A At that time, Mr. Posey requested that we make a formal request and he said, "If you don't want -- or we elect not to join, make an alternate request insofar as a farm out is concerned."

Q Did you make such a proposal?

A We did so in our letter, I believe, dated September the 1st.

Q Now that covered the NW of the NE of Section 12, did it not?

A Yes, sir.

Q What answer did you get to that proposal?

A I did not -- prior to getting Pan America's reply I called. It was sometime before, or we felt it was sometime

before, we got a reply and I was dealing with them on some other matters, and I called and talked to. I believe it was Ben May.

Q This was Pan American?

A Pan American, yes, and asked them about our letter of September the 1st, and Ben stated at that time that they were not interested in doing anything. They were not interested in joining. We had been turned down on farm out, joining; they were not interested in doing anything in the area at this time, and planned to handle the area by regular development and that -- and at that time, I asked him, I said, "Is there anything we can do?" and he said "No, we will just handle it by normal development."

Q Did you consider making a specific proposal on the NE of the SE of Section 1?

A No, sir, I couldn't see any -- they didn't leave the door open for any negotiation, or suggest that they would be interested in any other location. They just flat stated that they were not interested in doing anything on the lease and area at this time.

Q This is Pan American?

A Right.

Q What position was taken by Mobile?

A Mobile took the same position. Mobile took the

position that they owned the minerals; that they were not in any hurry; that they would not be interested in drilling on this lease or on their mineral interest until they were off-set or until they had normal off-set development.

Q And who told you this and when?

A This was told to Len and myself by Mr. Posey.

Q That was personally?

A Yes, I don't know whether he used the exact words.

Q When was this?

A This was -- Mr. Posey had been on vacation for some time. This was some time in the latter part of September.

MR. KELLAHIN: That's all I have on direct examination.

MR. NUTTER: Are there any questions of this witness?

MR. BUELL: May it please the Examiner, let me ask him a question or two.

CROSS EXAMINATION

BY MR. BUELL:

Q Mr. Haney, as I understood your testimony, and I had a little difficulty following it, you were jumping back from Mr. Posey and Ben May and John Thompson, but as I understood your testimony, you all had made Pan American one offer and that was to farm out or voluntarily pool that quarter

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PAGE 43

quarter section in Section 12?

A In the form of a formal offer?

Q Yes, sir.

A Is that what you mean, a written offer?

Q Yes, sir.

A That's correct, sir.

Q And you have one thing from Pan American, and that was a letter dated September 12, telling you that we did not wish to farm out or join you in drilling that well in Section 12. Now, is that not correct?

A That is correct.

MR. BUELL: Mr. Examiner, I am going to again renew my motion to dismiss. This record, I think, vividly reflects that there has been no offer to voluntarily pool this quarter quarter section of Section 1. The negotiations they offer all related to the quarter quarter section in Section 12. We have not had the opportunity to join.

MR. KELLAHIN: If the Examiner please, the witness's testimony was that there was an offer to drill or farm out the lease, and they asked for a written proposal, and they proposed for one quarter quarter section which was refused and at that time their understanding was from Pan American that they did not care to drill or develop this area. Therefore, they made no further proposals.

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Now, certainly the Statute does not contemplate necessarily a series of offers or counteroffers or anything of the kind. The Statute merely says where, and I quote directly from the Statutes: "Where such owner or owners have not agreed to pool their interests." Certainly, they have not agreed to pool their interests. They had the opportunity to pool their interests and if Pan American is interested in pooling their interest, they can do so today.

MR. BUELL: Mr. Examiner, I am familiar with the Statutes. You may recall, I did not refer to the Statutes, I referred to the Commission's policy, a policy that Pan American has acquiesced in. We have always made a bonafide, good faith attempt to voluntarily pool. Quite often it has cost us a tremendous amount of money to run people down and ascertain ownership in order that we could make them an offer so that we could come to this Commission and say that we have done everything we could to voluntarily form this unit. We are coming to you only as a last resort because we have been unable, despite all our efforts to do so, and that is the crux of the question here, it is not whether Pan American would say no or yes, it is whether or not Pan American is going to get the opportunity to say no or yes.

MR. NUTTER: Well, without ruling on your renewed motion, did you have any further questions of this witness,

Mr. Buell?

MR. BUELL: Mr. Examiner, I am at a tremendous disadvantage. It is like trying to put tooth paste back in the tube. The previous witness said that Mr. Haney would testify about conversations he had with Mr. Pete Abbey, and Mr. Pete Abbey is the one I contacted during the noon recess. Now, Mr. Haney says, no, I talked to John Thompson and Ben May. We have got enough land people that we could ping pong around all afternoon and I would be on the phone for two or three days just trying to pin down who they finally talked to. Mr. Mayer said that he was going to tell about his conversation with Pete Abbey. I talked to Pete Abbey, and Pete Abbey has had no conversation with this man.

MR. NUTTER: Are there any questions of Mr. Haney?

Mr. Sperling, do you have any questions?

MR. SPERLING: No, sir.

MR. NUTTER: Now, as I understand it, Mr. Haney, you had several discussions with Jim Posey and you called John Thompson one time and he advised you to put this deal that you were proposing in some kind of written terms, and as you said they would run it by the management to see what they thought of it. Is that correct?

A The initial contact when Len stated, in regard to Pete Abbey, in all cases, I called for Pete Abbey. Pete Abbey

is the District Land Man who represents this area, or at least this is my understanding, and in any event, Pete was not there of did not answer for some reason or another. Now, my recollection as to just exactly who I have talked to might be a little foggy because I worked for this company for some time and I am familiar with these people. I worked with them and we don't have any trouble in communication. If the primary result, or that I got, from a Pan American representative was that they would not do anything, they would not entertain any kind of proposal in this area.

MR. NUTTER: And this may have been from John Thompson or Ben May or even Pete Abbey?

A Yes, sir, at this present time, we have got another deal with Pan American up in Roosevelt County, and plus this has been a very active time, leasewise and so forth for both Len and myself, and I am not certain just exactly who I talked to, but I am certain of what they stated. And they did state that they were not interested in doing anything at this time and that it would be handled through normal development. Now, that doesn't leave us any recourse, or any place that we can go. In other words, what advantage would we have by picking out another forty, and say, will you do this here? and then submit it by written letter, and whether it is in writing, or verbal, the normal conduct of oil business, as it

has been with me now, for the last ten years, verbal has been as good as writing, until you got down to a contract stage.

MR. NUTTER: Agree to write a contract, in other words?

A Well, if it were down to the point of agreement and so forth, we are ready for a contract, why, certainly, it would be in writing, but insofar as these negotiations, they have been most preliminary and if Pan American had been interested in any other location, all they had to do was just suggest that they would entertain some other location, but they said no.

MR. NUTTER: Are there any other questions?

MR. BUELL: Mr. Examiner, as I understood his answer to your question, he said he might have talked to Pete Abbey about this, and in view of that I would like to put my hearsay evidence on.

MR. NUTTER: Well, I don't think he said he talked to Pete Abbey.

MR. BUELL: You asked him if he could have talked to John Thompson, Ben May or Pete Abbey and he said yes.

A Well, let me state this, I have talked to all three men sometime in the month of August, sometime in the month of September and sometime in the month of October.

MR. NUTTER: But it could have been this deal or it

could have been the Roosevelt conversation?

A It is my recollection that I talked to initially, John Thompson, because Pete Abbey was on vacation and that for the initial request for farm out and dry hole money was not made in writing, it was made verbally and John took it verbally and took it in to their committee, or to their management and at that time the location and so forth that I discussed with John was a very loose thing. The primary reason as I told John, in us wanting to drill a well, was short term expiration, plus at that time, we thought we had a chance for a discovery allowable and our initial -- of course, John, being a very good and a receptive Land Man, John wasn't showing their position at all. He just said, "I think we might be interested in it, let us look it over, and we will get back in touch with you", and the request we made in writing was made after they had turned us down on the farm out and after we had talked to Mobile they indicated that they would not -- they would want to have an either or, the best that we could do. Well, the best that we could do was ask them for a forty acre drill site and give them a carried interest.

MR. NUTTER: Are there any further questions of Mr. Haney? He may be excused.

MR. KELLAHIN: That completes our case, Mr. Nutter.

MR. NUTTER: Mr. Buell, do you want to present your

telephone conversation with Mr. Pete Abbey under oath for hearsay testimony?

MR. BUELL: Yes.

(Whereupon the witness was sworn)

MR. BUELL: May it please the Examiner, during the noon recess, and based upon the testimony of Mr. Mayer that Mr. Haney would relate a conversation with Pete Abbey, I was able to reach him by phone. In summary, and to make it short, Mr. Abbey said Pan American had had one offer from the applicant. That offer was to farm out or join in the drilling of a San Andres well on the forty acres that we have been discussing in Section 12. I said, "Have you talked by phone to either one of these gentlemen, either before the September 1st letter, or after the September 1st letter?" He said, "Yes, I have talked to Mr. Haney, subsequent to the September 1, letter." I said, "Did Mr. Haney in any way mention or make another offer relating to this three hundred and twenty acre tract where we have our undivided interest?" He said he did not and that he recalled that very vividly because he was surprised that he did not mention it. He said the only thing they discussed was dry hole money on a well in Roosevelt County.

In summary, according to Mr. Abbey, we had one offer and that was not on the forty acres that they are here today

trying to force pool, and if the Commission wishes, we will be happy to make Mr. Abbey available to the Commission for sworn testimony, as well as Mr. May or Mr. Thompson or whoever else they might have talked to.

MR. NUTTER: Do you want to ask a question of this witness?

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Buell, you say that there was only one offer made and that was the acreage you were talking about. I assume you mean the NW of the NE of Section 12?

A I refer to it for purposes of easy identification and to save time as the quarter quarter section of Section 12.

Q There has been testimony in the record or at least in your unsworn testimony that there are two quarter quarter sections in Section 12 referred to, is that correct? Mr. Abbey did not turn down the offer in the NW --

A He turned down an offer and inadvertently cited a different quarter quarter section. That is the way I put it, Mr. Kellahin. I am now ready to talk with you on any terms you want to talk.

Q Did you ask Mr. Abbey if they had considered joining in the drilling of a well anywhere else on this lease?

A No, sir, in view of his statement that we had had

only one offer, I did not think to ask that question.

Q In discussing the offer, did you specify a written offer?

A No, sir, I said offer.

Q Did you ask if any verbal conversations had been held?

A Yes, sir.

Q Prior to the written proposal?

A Both prior and subsequent.

Q Did you hear the testimony to the effect that either he or Mr. Thompson had proposed that this matter be submitted in writing?

A Well, I had trouble following Mr. Haney and I will be the first one to admit that. But I thought Mr. Haney finally ended up pretty definite that that was John Thompson to whom he talked and not Pete Abbey.

Q Did you ask Mr. Abbey if he had any conversations with Mr. Thompson?

A Mr. Kellahin, until Mr. Haney got on the stand, I never even thought of John Thompson because Mr. Mayer said that Mr. Haney was going to talk about telephone conversations he had with Mr. Abbey.

Q Of course, Mr. Mayer was mistaken.

A I think that's pretty obvious.

Q He did not have conversations, and therefore he did not know who he had talked to?

A Well, they are partners, I thought they might talk occasionally.

Q One further question, Mr. Buell. At this time, are you in a position to say whether or not Pan American would entertain a proposal to drill on the unit which we seek to force pool or any other unit on this lease?

A Read that back, he kind of lost me.

THE REPORTER: Reading: "One further question, Mr. Buell, at this time, are you in a position to say whether or not Pan American would entertain a proposal to drill on the unit which we seek to force pool or any other unit on this lease?"

A Pan American will entertain and consider any offer that this applicant makes to Pan American and we will give it serious consideration. I certainly could not predict whether the answer would be yes or no, but we would like the opportunity to consider an offer. That's all we ask.

MR. NUTTER: The witness may be excused. Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: I suppose at this time, Mr. Buell, you'd like to renew your motion?

MR. BUELL: Yes, sir, I would.

MR. NUTTER: We will entertain argument on the motion at this time. Go ahead, Mr. Buell.

MR. BUELL: May it please the Examiner, I have just about argued out. I have made about four closing statements already.

The thing to me is crystal clear in this record and by the evidence that these two gentlemen have presented. Pan American has been made one offer to farm out or to voluntarily join with them in forming this forty acre unit, and that was for a forty acre unit in Section 12. Pan American was not offered the opportunity to join them in the formation of and the drilling of a 40 acre well in Section 1. We have not had the opportunity to say yes or no and I think, under the Commission's policy, we are entitled to that. Our answer may be, yes, we will join you, or it may be no; but I think we are entitled to give it consideration, meaningful consideration and serious consideration, and then give our answer. Right now, we haven't. We have been brought into a force pooling hearing without the opportunity to say yes or to say no and I think we are entitled to that opportunity.

MR. NUTTER: Mr. Sperling.

MR. SPERLING: Mobile's position is very much the same as that of Pan American. I do not have the benefit of any

telephone conversations. I do know what was said in the letter which was addressed to Mobile, and it did relate to the tract in Section 12 concerning which there was no confusion on Mobile's part, and they elected and I am advised that they advised the applicants that they were not interested in the joining in the drilling of a location in Section 12.

I have nothing to indicate that they were afforded the opportunity to join in the drilling or otherwise participate in the drilling of the well which is the subject of this application. Like Mr. Buell, I think we are entitled to receive that consideration, and to make a judgment on whether or not they will. And my understanding of the testimony was that the impression was gained without anything to substantiate it; that they were not interested in doing anything with reference to any part of the three hundred and twenty acres. That, I cannot confirm or deny. All I know is what the cold, written word says, which certainly is confined to Section 12 and I would doubt that in an area that is this active that they would give the impression that they are not interested in doing anything with reference to a three hundred and twenty acre lease.

I think the pooling of this on this kind of a basis without a good faith effort on the part of both sides to negotiate including a prospective date for the well, a prospective A F E

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on the thing. I think anybody who is an interest owner in the tract is entitled to that consideration.

MR. KELLAHIN: If the Examiner please, I think the evidence is pretty clear that in this case, preliminary conversations were held with both companies, proposing and explaining to them why the applicant here wanted to either farm out or have them join with them in the drilling of a well some where on the lease identified as the Grays lease. In both cases, then, it was proposed that they should make a proposal in writing, which they did, and it pertains to the NW of the NE of Section 12. Pan American refuses to join them on the NE of the NE of Section 12, and I think that clearly shows that regardless of the location, they just were not interested in joining with or farming out to the applicant in this case.

In both cases the testimony also concludes that in making the refusal, both companies said, in effect, we are not interested in drilling or developing this acreage at the present time, but will leave it to the normal development patterns as it goes along in this pool. And, as you know, at that time, the drilling was somewhere in excess of a mile away.

Now, the applicant in this case has a lease expiring in March, in addition to which if that lease expires, he has a monetary penalty which will have to be paid, so there is something more than just a routine lease involved.

I agree with Mr. Buell that it has been the custom of this Commission to see that some effort has been made to pool before they entertain a force pooling application, and I submit that the effort had been made in this case, and certainly the situation of the Applicant was explained to the two companies involved and the opportunity to drill was afforded to these two companies.

The Statute itself makes no such requirement of this. It merely says that where the separate owners who have the right to drill, or propose to drill makes application, and the separate owners have been unable to agree the Commission may force pool, where they have not agreed. The circumstances are, they have not agreed. I do think that under the circumstances that any company should be afforded the opportunity to join in a well, but the owners here in this case are carrying this to the absurd extremes. When a man has been told, no, we are not interested in drilling in this area, or on this lease, at this time, they would have to say, will you drill on this forty, will you drill on this forty, one by one until you go through them all, or perhaps submit a proposal for a well on each forty, and have them turn down all but one. Now, this is carrying the matter to absurd lengths and the opportunity has been afforded to these companies to join and in addition to that, I would point out this, if the Order in this case is written as a Force Pooling Order is normally

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PAGE 57

written, they will be afforded the opportunity to join without the application of any penalty, the normal Order that has been issued by the Commission in the past, gives anybody an opportunity to join within thirty days, and if they fail to do so, then if any penalty is ordered, it then is applied after this opportunity is refused. So if they say they haven't been afforded the opportunity to join, I say that the Commission itself will give them another thirty days in which to consider it and that is ample time in this case, because they know this field quite well.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 3473?

MR. BUELL: May it please the Examiner, we just argued the motion, we haven't argued the merits of the case.

MR. PORTER: That calls for another closing statement.

MR. BUELL: I was hoping the Examiner would rule on the motion, and if he rules against me, I think we should argue the validity of their force pooling application.

MR. NUTTER: Mr. Buell, I might advise you we are not going to issue any ruling on the motion today. We are going to take the motion as well as the case under advisement, so if you have anything further now to add to the merits of the case, you can proceed. I think Mr. Kellahin's statement

probably related not only to the motion, but the case itself. Didn't it, Mr. Kellahin?

MR. KELLAHIN: I assume the only objection made was as to the opportunity to join. That's all I heard.

MR. NUTTER: Do you have anything further then, on the merits of the case, Mr. Buell?

MR. BUELL: Yes, sir. I do not want my arguments in any way to be construed that I have a lack of faith in my motion for dismissal.

MR. NUTTER: The Order that is issued from this Hearing will cover the motion as well as the case itself, regardless of how either one goes.

MR. BUELL: Actually, on it's merits, I think the Commission should deny this case. I do not believe that the Applicant has proved that the forty acres that he is attempting to force pool, or requesting to force pool, is the best place or the best location to drill the first San Andres well on this three hundred and twenty acre lease. You may recall his testimony that the forty acres that he offered us the opportunity to join is much nearer established production in the Cato - San Andres pool, and certainly I think that the Commission should consider that, that this is not the best location for the first development well on this lease. I would certainly urge the Commission in the event they should

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PAGE 59.

approve his force pooling application, that the penalty he requested is completely in my opinion, out of the question. I think the record of the performance and operation of the Cato - San Andres Pool show the wells are quick to drill, they are easy to drill and there is little, if any, inherent risk of drilling, in one of these San Andres wells. They are drilled in fourteen days at the most, they go down real rapidly, they are completed real rapidly. I would certainly urge the Commission, if they do include any kind of a risk penalty, that it be very nominal, and I would recommend nothing over 1%.

MR. NUTTER: Do you have any rebuttal, Mr. Kellahin?

MR. KELLAHIN: I do not think it merits rebuttal.

MR. NUTTER: We will take the motion under advisement.

MR. SPERLING: Mr. Examiner, I would like to express my appreciation to the Examiner, and to the participants in this last case for their indulgence in allowing me to appear late. I hope I have not inconvenienced anybody too much, including those who are to follow.

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PAGE 60

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, W. DON McINTYRE, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission Examiner at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF, I have affixed my hand this 26th day of October, 1966.

W. Don McIntyre

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2473 heard by me on 10/11, 19 66
James, Examiner
New Mexico Oil Conservation Commission

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
December 16, 1966

REGULAR HEARING

IN THE MATTER OF:)

Application of Len Mayer for)
compulsory pooling, Chaves County,)
New Mexico.)

) Case No. 3473:
) (De Novo)
)
)
)
)
)
)

BEFORE: A. L. PORTER, Examiner

TRANSCRIPT OF HEARING

MR. PORTER: Case 3473. Mr. Kellahin.

MR. KELLAHIN: If the Commission please, Jason Kellahin of Kellahin and Fox, Santa Fe, appearing for Len Mayer who has the original applicant in this case. This was an application for compulsory pooling which was resisted by Pan American Petroleum Corporation and after entry of the order, Pan American asked for a hearing De Novo and subsequent to the filing of that request, Pan American, Mobil and Mr. Len Mayer have reached an agreement; and as applicant in the case we ask that the original application be dismissed. We have no objection to the order being rescinded. I have discussed this by telephone with Mr. Guy Buell and we are in agreement on the dismissal of this case.

MR. PORTER: Mr. Kellahin, as I recall, the agreement involved perhaps drilling in another location.

MR. KELLAHIN: And that's correct.

MR. PORTER: The well at this location will not be drilled at this time?

MR. KELLAHIN: That's correct and in the event it is drilled, Mr. Mayer agrees that he will not rely on the force pooling order that has been entered by the Commission and asks that it be rescinded.

MR. PORTER: I see. Mr. Hatch, in view of these developments, as counsel for the Commission, do you see any

obstacle in the way of rescinding the previous orders that will no longer be applicable in this case?

MR. HATCH: I think it is proper for the original applicants to withdraw their request and for such an order to be rescinded.

I have a telegram here I would like to read into the record.

MR. PORTER: You may proceed, read the telegram.

MR. HATCH: Addressed to Mr. A. L. Porter, New Mexico Oil Conservation Commission, dated December 15, 1966.

"Confirming your telephone conversation with Guy Buell this date Pan American Petroleum Corporation will not appear for the De Novo Hearing Case Number 3473 on 12/16/66, in view of the fact that counsel for the applicant Mayer, et al, will move for dismissal of the pooling application because a voluntary agreement has been reached. Signed, D. L. Gray."

MR. PORTER: Thank you, Mr. Hatch. Do you have anything to add, Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. PORTER: Does anyone else have anything to offer in this case?

In view of these developments, the Commission will dismiss Case 3473 and the order that was previously entered will be rescinded.

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, DON McINTYRE, 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 6th day of January, 1967.

W. Don McIntyre
NOTARY PUBLIC

My Commission Expires:

July 17, 1970

ACREAGE DESCRIPTION:

Township 8 South, Range 30 East, Chaves County, N.M.

Section 1: SE/4

Section 12: N/2 NE/4

Township 8 South, Range 31 East, Chaves County, N.M.

Section 7: N/2 NW/4

Being a total of 320 acres, more or less.

MINERAL OWNERSHIP:

Name	Interest	Lessee	Expiration
Mobil Oil Company	1/2	open	
Martin, Williams & Judson	1/4	Pan Am	3/23/75
Bonnie Matlock Morrison	1/16	Pan Am	3/3/71
Selma Andrews	1/8	Haynie & Mayer	3/22/67
Arthur R. Mc Quiddy	1/16	Haynie & Mayer	6/21/71

LESSEE WORKING INTEREST:

Mobil Oil Company 8/16 working interest

Pan American Petroleum Corp. 5/16 working interest

Haynie - Mayer 3/16 working interest

Total 16/16 working interest

BEFORE EXAMINER NUTTER
CIL CONSERVATION COMMISSION
Agate EXHIBIT NO. 1
CASE NO. 3473

Risk factor
75% may

... contact ...
... 7+ worth ...
... part of it in terms ...
... management ...
... black ...
... there ...
... made ...
... w power

[illegible]

PAN AMERICAN PETROLEUM CORPORATION

OIL AND GAS BUILDING

P. O. BOX 1410

FORT WORTH, TEXAS—76101

September 12, 1966

Sections 1, 7, & 12
T-8S, R-31E
Chaves County, New Mexico

Mr. Len Mayer
P. O. Box 1495
Roswell, New Mexico

Dear Sir:

We are writing in reply to your letter of September 1, 1966, requesting that we either farmout our interest in the N. J. Graves lease, or, join you in the drilling of a San Andres test in the NE/4 NE/4, Section 12.

We regret that we must advise at this time, that Pan American is unwilling to either farmout its interest or join you in the drilling of a well on this acreage.

Very truly yours,

PAN AMERICAN PETROLEUM CORPORATION

P. B. Abbey
P. B. Abbey

PBA/dw

