

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

Transcript of Hearing

Case No. 321

October 23, 1951

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

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IN THE MATTER OF:)
This is concerned with Delhi)
Oil Corporation's application)
for an order requiring the)
pooling of all tracts of land)
in the E/2 of Section 30,)
Township 32 North, Range 11)
West, NMPM.)
)

Case No. 321

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TRANSCRIPT OF HEARING

October 23, 1951

MR. SPURRIER: We will proceed with Case No. 321.

(Mr. Kellahin reads the Notice of Publication.)

MR. McLANE: My name is Alfred E. McLane, of the Delhi Oil Corporation, Dallas, Texas. I have two witnesses I would like to have sworn.

A. L. COLVIN,

having been first duly sworn, testified as follows;

DIRECT EXAMINATION

By MR. McLANE:

Q Would you state your name to the Commission please?

A A. L. Colvin.

Q What is your occupation, Mr. Colvin?

A Head of the Land Department, Delhi Oil Corporation.

Q Mr. Colvin, I hand you an instrument marked Exhibit A. Would you tell us what it is, please?

A It is a plat showing the ownership of the east half of Section 30, as well as the south half of the northwest quarter and the north half of the southwest quarter of Section 30, Township 32 north, Range 11 West.

Q Can you tell us what the ownership of the east half of that section 30, Township 32 north, Range 11 West is?

A Dena Riddle, is the record owner of the north half of the northeast quarter of the Federal land. Paul B. Horton is the record owner of the south half of the southeast quarter of Federal land, and the Delhi Oil Corporation is the lease

owner of the south half of the northeast quarter and the north half of the southeast quarter.

Q Now, the tract just mentioned in which Delhi owns the leasehold interests are patented lands?

A That's right.

Q Is that the entire leasehold interest in that particular lease or does the lease cover other lands?

A The lease covers other lands.

Q And the lands covered by that one lease in the particular section in question are what?

A The lands, the other lands covered by this lease, is the south half of the northwest quarter and the north half of the southwest quarter.

Q Is it Delhi's present desire to drill a well on the east half of that section?

A It is Delhi's desire to drill a well on the east half of the section. The location of the well to conform with the spacing pattern established by the New Mexico Oil Conservation Commission.

Q Now, what efforts, if any, has Delhi made to communitize the east half of that section to conform to the well spacing pattern for Mesa Verde wells prescribed by the Commission?

A We have a commitment from the record owners of the Federal lands in the east half of Section 30 in which they have agreed to communitize their lease with our patented land

lease, to form a 320-acre unit. Our lease from the land owners did not provide for a pooling provision. We have sent a man into the field, he has spent practically one month in the field, attempting to secure an amendment to the lease to provide for such 320-acre pooling, and we were unsuccessful. Then we have also prepared a communitization agreement specifically designating the east half of Section 30 for the 320-acre unit which has been executed by the working interest owners or will be executed by the one remaining working interest owner that we have been unable to contact and has been ratified by the larger portion of the overriding royalty interest. But we have as yet been unable to secure ratification of these royalty interest owners under this patented land.

Q I hand you an instrument marked Exhibit B, Mr. Colvin, and ask you if you can identify that instrument.

A It is a communitization agreement prepared designating the east half of Section 30 as a unit to be operated by Delhi in the drilling of this well for a Mesa Verde test.

Q Now is this the instrument to which you just referred as having been filed or agreed to be filed by all the working interest owners in the east half of Section 30?

A It is.

Q I now hand you an instrument marked Exhibit C and ask you to identify that instrument.

A This is the ratification of the ~~communitisation~~ agreement which we presented to the over-riding royalty interest owners of record as well as the royalty interest owners of record and which have been executed by the San Juan Oil Company.

Q The San Juan Oil Company has an over-riding royalty interest in the Delhi lease?

A That's right, they do.

Q Then Delhi's present position -- correct me if I mistate this -- is that you have obtained the consent of all working interest owners to the communitization of the east half of the section, but the royalty owners and the over-riding royalty owners, or at least part of them, in the south half of the northeast quarter and the north half of the southeast quarter have refused to sign.

A That's right.

Q Now, if you should drill this well without their consent on the Delhi Hubbard lease, what would be the effect as to royalty and over-riding royalty holders?

A If we drilled on the Hubbard tract of land -- I presume you mean as to the east half.

Q Yes.

A It would then -- without a communitization order, it would require the payment of excess royalty and excess over-riding

royalty.

Q In other words, you would have to pay full one-eighth royalty out of the entire production of the well to the lessors, the Hubbards?

A That's right.

Q On the other hand, if this well should be drilled in the east half, and not on the Hubbard lease, what would be the effect as to the Hubbard lease?

A Without an order we would still have to pay -- with an order on the east half we would have to pay royalty to the Hubbards as well as to the other royalty under the east half.

Q When does the Hubbard lease primary term expire?

A November 16, 1951, and without an order we would be faced with the loss of our lease.

Q If you didn't drill on the lease because the lease would expire.

A Yes, sir.

Q Now, do you plan to continue your efforts to get the ratification of the Hubbards and these over-riding royalty holders also?

A We plan to. We prefer to have this done on an equitable basis, but our past experience has proven we are more or less butting our heads up against a stonewall. But we are going to continue in an effort to get it done. I have had a man in the field for the last two weeks.

Q This Hubbard lease covers 320 acres altogether in this one section?

A That's right.

Q But it doesn't conform to the present well-spacing pattern?

A That's right.

Q If the Commission should see fit to compel pooling or communitization of the east half of this section, would Delhi be agreeable to an order allowing it to consider the 320 acres in the Hubbard lease consisting of the south half of the north half and the north half of the south half of the section as a drilling unit?

A We would.

Q But that wouldn't conform to the regular well-spacing pattern?

A That's right.

MR. McLANE: I believe that is all. I would like to offer in evidence Exhibits A, B and C.

MR. SPURRIER: They will be accepted.

Does anyone have any question of this witness? If not, the witness will be excused.

(Witness excused.)

C. C. PETERS,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. McLANE:

Q What is your occupation, Mr. Peters?

A Well, I am working in the Land Department of the Delhi Oil Company.

Q This instrument, Exhibit C, which we have just introduced which is entitled, "Ratification of Communitization Agreement", has places for signatures of a number of persons who are stated to be over-riding royalty interest owners and royalty interest owners in Section 30, which Mr. Colvin was just testifying about. Can you tell the Commission whether or not you have contacted any of these people and attempted to obtain their signatures on that instrument?

A I have contacted Mr. Hubbard and his wife, and Mr. Brown and his wife.

Q That is Mr. J. C. Brown?

A J. C. Brown and Mr. Hubbard -- what is his initials, I have forgotten.

Q H. A.

A H. A. Hubbard, yes. And Mr. Turner.

Q He is the owner of Turner Securities?

A He is the owner of Turner Securities and Mr. Cummings.

Q That is Mr. M. L. Cummings?

A M. L. Cummings. I have contacted them and talked to them numerous times and they refuse to sign.

Q They refused to sign this instrument marked Exhibit C?

A Yes, sir.

MR. McLANE: I believe that is all.

BY MR. WHITE:

Q Mr. McLane, have all these parties in interest been served notice of this hearing today?

MR. McLANE: Yes, we have written by registered mail to the over-riding royalty holders which Mr. Peters has not contacted. Mr. Wayne Moore, we have written him to the last address which we had which was Midland, Texas. Which was his address at record when he assigned this Hubbard lease to Mr. -- I beg your pardon -- he assigned it to the Mudge Oil Company and reserved his over-riding royalty and we have not heard from Mr. Moore. The other over-riding royalty holders and Mr. Hubbard have all been contacted personally by Mr. Peters. Is that right, Mr. Peters?

A That's correct.

Q (By Mr. McLane) Did you tell them of this hearing personally?

A Mr. Hubbard had a letter with reference to it from the company.

Q But did all of them indicate they knew of this hearing?

A Oh, yes, they know of it.

MR. KELLAHIN: I would like to state for the record that the only parties named in the suit are Mr. H. A. Hubbard and Myrtle Hubbard, his wife, and none of the other parties have been named or served by the Commission. Their names didn't appear in the application.

MR. McLANE: Mr. Peters, did you discuss this hearing with the over-riding royalty holders?

A Oh, yes. All I have talked to.

Q Did they indicate whether or not they wanted to attend this hearing?

A Said they didn't want to, didn't want to and wouldn't. That is the way they put it.

Q Did they indicate what their attitude would be is the Commission should issue an order compelling the pooling of this half section?

A They said they would comply with it. Just do what you want to.

MR. COLVIN: If it please the Commission, I would like to offer additional testimony in line with what Mr. Colvin has mentioned. We had -- after discussing this matter and finding out the procedure to follow -- we had our firm of attorneys write a letter with reference to this proposed hearing and the things we could do, a copy of which letter was mailed to Mr. Peters for him to show to these royalty interest owners in an effort to show them we did have recourse

with the Commission and try to get voluntary execution of the instrument. I would like to offer that in line with Mr. Colvin's remarks.

MR. SPURRIER: Do you have anything further?

MR. McLANE: I would like to ask Mr. Peters if he showed each one of the royalty owners and over-riding royalty holders mentioned the letter Mr. Colvin just testified about?

A I did.

Q Stating the time and place of this meeting?

A Yes, sir. And I also offered to bring them here if they would come.

Q You offered to bring them to the hearing if they would come?

A Yes, sir.

Q What did they say?

A Just refused to come, that's all.

MR. SPURRIER: Are there any further questions of this witness. If not, the witness may be excused.

MR. McLANE: That's all we have.

MR. SPURRIER: If there is nothing further in this case we will take it under advisement and proceed to Case No. 317.

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STATE OF NEW MEXICO)
 : SS.
COUNTY OF BERNALILLO)

I HEREBY CERTIFY, that the foregoing and attached transcript of hearing in Case No. 321, before the Oil Conservation Commission, taken on October 23, 1951, at Santa Fe, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this 19 day of November, 1951.

E. E. Freeman

REPORTER