

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

CASES NOS. 1156 AND 1157
(CONSOLIDATED)

TRANSCRIPT o f HEARING

SEPTEMBER 26, 1956

DEARNLEY-MEIER AND ASSOCIATES

COURT REPORTERS

605 SIMMS BUILDING

TELEPHONE 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO
SEPTEMBER 26, 1956

IN THE MATTER OF: :

CASE NO. 1156: Application of Continental Oil Company for a 240-acre non-standard gas proration unit in the Eumont Gas Pool in exception to Rule 5 (a) of the Special Rules and Regulations for said pool, and for the forced pooling of all interests therein within the vertical limits of the Eumont Gas Pool in compliance with Section 65-3-14 (c) NMSA (1953). Applicant, in the above-styled cause, seeks an order establishing a 240-acre non-standard gas proration unit in the Eumont Gas Pool comprising the NE/4 and the E/2 NW/4 of Section 28, Township 20 South, Range 37 East, Lea County, New Mexico. Said unit to be dedicated to applicant's Meyer B-28 "A" Well No. 1 located 1980 feet from the North and East lines of said Section 28; and further for the forced pooling of all interests therein within the vertical limits of the Eumont Gas Pool. :

CASE NO. 1157: Application of Continental Oil Company for a 360-acre non-standard gas proration unit in the Eumont Gas Pool in exception to Rule 5 (a) of the Special Rules and Regulations for said pool, and for the forced pooling of all interests therein within the vertical limits of the Eumont Gas Pool in compliance with Section 65-3-14 (c) NMSA (1953). Applicant, in the above-styled cause, seeks an order establishing a 360-acre non-standard gas proration unit in the Eumont Gas Pool comprising the SE/4 and E/2 SW/4 of Section 28, and N/2 NE/4 and NE/4 NW/4 of Section 33, Township 20 South, Range 37 East, Lea County, New Mexico. Said unit to be dedicated to applicant's Meyer B-28 "A" Well No. 2 located 660 feet from the South line and 1980 feet from the East line of said Section 28; and further for the forced pooling of all interests therein within the vertical limits of the Eumont Gas Pool. :

BEFORE:

Daniel S. Nutter, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. COOLEY: Application of Continental Oil Company for a 240-acre non-standard gas proration unit in the Fumont Gas Pool in exception to Rule 5 (a) of the Special Rules and Regulations for said pool, and for the forced pooling of all interests therein with in the vertical limits of the Fumont Gas Pool in compliance with Section 65-3-14 (c) NMSA (1953).

MR. KELLAHIN: If the Examiner please, Cases Nos. 1156 and 1157 are companion cases and we will use the same witnesses, and some of the testimony in both cases will be applicable of each other. I would like to move for a consolidation for the purpose of hearing these.

MR. NUTTER: Is there an objection to consolidation for purposes of testimony in these two cases? If not, we will consolidate the cases for the purpose of taking the record.

MR. KELLAHIN: Our first witness will be Mr. Lyon.

(Witness sworn.)

V I C T O R T. L Y O N,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q State your name, please.

A Victor T. Lyon.

Q By whom are you employed, Mr. Lyon?

A Continental Oil Company.

Q What position?

A Production engineer.

Q In connection with your duties as production engineer, Mr. Lyon, are you familiar with Cases 1156 and 1157?

A Yes, sir.

Q And what is the nature of those applications?

A Cases 1156 and 1157 are applications of Continental Oil Company for the pooling of acreage contained within two proposed units; one, No. 1156, is for the unit consisting of the NE/4 and E/2 of the NW/4 Section 28, Township 20 South, Range 37 East, to be dedicated to Continental Oil Company's No. 1 Well Meyer B-28 "A" Well No. 1. Case 1157 is for the pooling of the acreage contained within the SE/4 and the E/2 of the SW/4 of Section 28 and the N/2 of the NE/4, and the NE/4 of NW/4 of Section 33, Township 20 South, Range 37 East, to be dedicated to Continental Oil Company's No. 2 Meyer B-28 "A" Well.

Q Now, Mr. Lyon, does the application correctly state the ownership of the lands involved in these two cases?

A I believe that it does.

Q Has a unit agreement been proposed as to the lands covered under Case 1156 and a unit agreement as to the lands covering 1157?

A Yes, sir.

Q And do you have a copy of that agreement, Mr. Lyon?

A I have a copy here of the agreement covering that unit to be dedicated to the No. 2 Well which is the one which contains portions

of both Section 28 and Section 33, the two agreements are identical with the exceptions of the paragraph 1 which sets out the acreage involved, and Exhibit A which sets out the ownership within the tracts involved.

Q Then the copy you have pertains to 1157, is that correct?

A Yes, sir.

Q Aside from the land description, it is identical in its terms as the proposed unit agreement in 1156? A Yes, sir.

MR. KELLAHIN: I would like to have that marked as Exhibit No. 1, please.

(Exhibit No. 1 marked for identification.)

A I might mention that this agreement provides for signatures in counterpart and this particular instrument does have signatures on it. I would like to have the signature sheets back so as to complete our files, if that is all right with the Commission.

MR. NUTTER: I think those pages can be detached, perhaps you can make a photostatic copy of the pages, then, and send them in to us.

A Whatever the Commission wants.

MR. NUTTER: We can detach those pages.

Q Mr. Lyon, will you file photostatic copies of the remaining pages there?

A Including signature sheets?

Q Yes.

A Yes, sir.

Q All right, have you made an examination of the signature sheets pertaining to these two unit agreements?

A Yes, sir.

Q And have all the parties having an interest in the lands covered by these applications signed these unit agreements?

A No, sir.

Q Who has not signed?

A In regards to Case 1156, there are three tracts involved, and all of the working interest owners have executed the agreement with the exception of Doll and Della Turland, who own an undivided one-fourth interest in the SE/4 of the NE/4 Section 28.

Q Now, in regard to that acreage held by Doll and Della Turland in Case 1156, is that a lease acreage, or what is the nature of that?

A The interest?

Q Yes, sir.

A That ownership, their interest is one-fourth undivided interest in the minerals, it is unleased.

Q Now, in regard to the application in 1157, what is the situation there?

A In 1157, all of the working interest owners have executed and all of the royalty interests have executed with the exception of Doll and Della Turland, who own the minerals under the NE/4 of the SE/4 of Section 28, on which they have signed, or granted a lease, but on which there is no pooling clause.

Q Now, is it necessary for any reason that you secure forced

pooling of that royalty interest held in Case 1157?

A We have prepared the instrument for submission to the United States Geological Survey for approval by the Secretary of the Interior, but they have informed us they can not submit this instrument to the Washington office until all royalty interests have executed, or in the alternative, may I add, until an order pooling the acreage has been issued by the Commission.

Q Now, in regard to the application in Case 1156, have you prepared a plat showing the acreage involved?

A Yes, sir.

Q Now, referring to Exhibit No. 1 in Case 1156, Mr. Lyon, what does that show?

A Exhibit No. 1 in Case 1156 is a plat showing the ownership of the lands in the unit and surrounding lands, it shows the unit outlined in red consisting of the NE/4, E/2 NE/4, Section 28, 20 South, Range 37 East; also shows, cross hatched in yellow, the lands included in tract No. 1 as referred to in the communitization agreement which are the communitization lands owned by the N. M. Federal unit operated by Continental Oil Company. It also shows, cross hatched in purple, the lands in tract No. 2, and colored in green, lands included in tract No. 3, both as described in the communitization agreement.

Q What is the tract No. 2, Mr. Lyon?

A Tract No. 2 is a Federal lease which is under lease, 50 percent to Mapenza Oil Company, 25 percent to A. and M., and 25 percent

to Morris Antwell and wife.

Q Is tract No. 1 operated by Continental?

A Yes.

Q What is the status of the No. 3, area colored in green?

A Tract No. 3 is the tract on which all signatures have not been obtained and the status of the various leases are as follows: one-fourth interest Sena Nymier as lessor, is leased 50 percent to Mapenza; 25 percent to A. and M.; 25 percent to Morris Antwell and wife; one/eighth interest Home State Royalty Corporation lessor, also leased to the same operators or lessees, and an additional one-eighth interest, under separate lease, from Home State Royalty Corporation leased to the same parties, one-fourth interest, Evelyn Williams, lessor, to Dalport Oil Corporation, and one-fourth interest unleased, owned by Doll and Della Turland.

Q Now, have all the parties you have named subscribed to the unit agreement insofar as lands covered by application 1156 is concerned?

A All except the Turland parties, as I have previously stated.

Q Now, do you have a plat showing the proposed unit in Case 1157?

A May I point out one additional thing which is shown on Exhibit No. 1, Case 1156? We have also shown the present gas wells appearing on the proration schedule producing from the Fumont Gas Pool and the approximate acreage dedicated to each of these, the wells are encircled in green and the unit outlined in green.

Q Is there a well on this proposed unit?

A Yes, sir.

Q Will you tell us the status of that well?

A The No. 1 well is located 1980 feet from the North and East lines of Section 28 and was completed September 6th, for an open flow potential of 43 MCF gas per day.

Q September 6th, this year?

A Yes, sir.

Q Now, that would constitute a non-standard unit as now proposed, would it not, Mr. Lyon?

A Yes, sir.

Q What is the status of that as a non-standard unit?

A We have an Administrative Order No. N S P 295, I believe, approving the 240-acre unit which is composed of this communitization acreage, which was granted, contingent upon an affidavit of communitization, which we are unable to do since mineral interests owned by the Turland parties have not executed.

Q And may all the acreage included within that proposed unit be reasonably presumed to be productive of gas?

A Yes, sir.

Q And would the Meyer 28 "A" Well No. 1 effectively and economically drain that unit?

A Yes, I am sure it will.

Q Do you have any information on the well costs on that well, Mr. Lyon?

A Yes, sir, the costs, which we have incurred to date on the drilling and completing of the well, amounts to \$52,322.00.

Q Mr. Lyon, do you have a plat showing the proposed unit in Case 1157?

A Yes, sir.

Q How is that marked?

A It's marked Exhibit No. 2, Case 1157.

Q Referring to that, what does that show?

A Exhibit No. 2 in Case 1157 shows the lands included in the proposed unit and the surrounding lands, the ownership, it shows the acreage contributed by the New Mexico Federal unit cross hatched in yellow, and that, incidentally, on the communitization agreement is designated tract No. 1, shows tract No. 2, which is the lease on the Turland property, colored in green, the unit is outlined in red and the well to which the acreage is to be allocated is encircled in red. Incidentally, that well is drilling now and this morning was at a depth of 3,605 feet.

Q What is the designation of that well?

A Sophia Meyer B-28 "A" No. 2.

Q And it is presently drilling?

A Yes, sir.

Q Now, have all the working interest owners signed the communitization agreement?

A Yes, sir.

Q And have all the royalty interest owners whose leases do not have pooling clauses signed?

A All have signed with the exception of Doll and Della Turland, and I might add, this applies also to unit No. 1, the Federal, the Secretary of the Interior has not signed.

Q And the securing of the approval of the Secretary of the In-

terior is contingent upon effectively pooling by voluntary or forced pooling?

A Yes, that's correct.

Q Now, that unit would constitute a non-standard unit, would it not, Mr. Lyon?

A Yes, sir.

Q Has anything been done towards securing approval of a non-standard unit now drilling?

A No, sir, other than this application which we have filed in this case.

Q May all the acreage reasonably be presumed to be productive of gas?

A Yes, sir.

Q On what do you base that?

A Exhibit No. 2, Case No. 1157, also shows the location of producing gas wells which are producing from the Fumont Gas Pool, encircled in green, and the approximate acreage dedicated to them outlined in green. You can see that the proposed unit is entirely surrounded by producing gas wells and units.

Q And will the Meyer B-28 "A" Well No. 2 effectively drain and develop that acreage, in your opinion?

A Yes, sir.

MR. KELLAHIN: At this point, I would like to ask the Commission if this witness' qualifications are acceptable, I overlooked that earlier.

MR. NUTTER: I am sure they are.

Q Now, referring again to Exhibit No. 2, 1157, does that show the offsetting units?

A Yes, sir.

Q Do you have anything you care to add? Mr. Lyon, in the event

this application in Case 1156 is approved, what do you propose to do in regard to the interest of Doll and Della Turland?

A When it became apparent that the Turland parties probably would not execute the agreement on the No. 1 unit, it was agreed among the various parties that Continental, as operator of the New Mexico Federal unit and the other working interest owners would carry the interest of the Turland parties so that there would be no expenditure on their part insofar as developing this unit, we would be paid out of the production from the well.

Q Now, in regard to Case 1157, there would be no necessity for that, --

A No, sir.

Q -- because their acreage is presently leased?

A Yes, sir, they have royalty interest only.

MR. KELLAHIN: That is all the questions I have.

QUESTIONS BY MR. NUTTER:

Q Mr. Lyon, is that right?

A Yes, sir.

Q The first question I have to ask you is this Gulf lease, which is the W/2 of the W/2 of Section 28, they have got a gas well there, they don't have a gas proration unit indicated on the plat, do you know what the status of that well is?

A No, I don't, and I didn't have an opportunity to check that before the hearing, the units that are shown on here are not necessarily all of the units, but they are some of the ones I found on the schedule, and I put them on here to show that the unit was surrounded by producing gas wells.

Q Now, do I understand correctly, referring to Case 1157, that the Mesdames Turland have not leased their 40 acres in the SE/4 of the NE/4 of that section?

A They have an undivided one-fourth interest in that acreage which they have not leased.

Q They will be working interest owners in this well?

A That's correct.

Q What did you say the cost of the well was?

A \$52,322.00 to date.

Q Is that the total cost of the well or are there accounts that haven't been figured in there?

A The authorization for expenditure has been enclosed, but there is probably an additional charge which will be included involving the damage claim of some cattle which consumed some of the fluids from the well and expired.

Q Well, now, they have a 25 percent interest of this 40 acres?

A Yes, sir.

Q And the 40 acres constitutes one-sixth of the total unit?

A Yes, sir.

Q So they have 25 percent of one-sixth of the well?

A That's right.

Q What will their share of the cost to date figure?

A Well, I haven't figured that, but I can figure it. Approximately \$2,180.00.

Q Now, referring to Case 1157, they have leased, the Mesdames

Turland have leased their interest in the NE/4 of the SW/4 of that Section, is that correct? A Yes, sir.

Q And they have retained a royalty interest in the acreage is all?

A A standard one-eighth royalty.

Q They will not share in the cost of the well?

A No, sir.

MR. NUTTER: I believe that is all I have. Does anyone else have any questions of the witness?

MR. COOLEY: Mr. Lyon, what efforts were made to communitize with a voluntary agreement?

MR. KELLAHIN: If the Commission please, a later witness will cover that.

MR. COOLEY: I withdraw the question.

MR. NUTTER: If there are no other questions of this witness, he may be excused.

MR. KELLAHIN: I would like to offer at this time Exhibits 1 and 2 in 1157 and Exhibit No. 1 in 1156, I believe that's correct.

MR. NUTTER: That's right. Without objection, Exhibits 1 and 2 in Case 1157 and No. 1 in 1156 will be received.

(Witness excused.)

MR. KELLAHIN: I would like to call as my next witness Mr. M. R. Keener.

M. R. K E E N E R,
called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you state your name, please?

A M. R. Keener.

Q Have you been sworn as a witness in these two cases, Mr. Keener?

A I have.

Q By whom are you employed? A Mapenza Oil Company.

Q Where do you live? A Hobbs, New Mexico.

Q What is your position with Mapenza Oil Company?

A Accountant and comptroller.

Q Now, in connection with your position, have you had occasion to become familiar with the applications in Cases 1156 and 1157?

A Yes.

Q Mr. Keener, have you made any attempt to secure a lease on the lands which are covered in the application in Case 1156?

A Yes, sir.

Q Will you describe those efforts?

A Several efforts have been made by employees of our firm as well as Mr. Mankin and myself to either secure a lease or purchase the minerals from the Turlands; in the summer of 1954, I was authorized to offer the Turlands \$1,000 in cash, a 500 barrel water tank, a sixteenth of seven-eighths overriding royalty in addition to a one-eighth land owners royalty. That offer was repeated several times, and this spring, 1956, this April, I offered them \$2500 for their 10-acre interest with a normal one-eighth royalty. At all times they

refused to actually execute a lease.

Q Now, Mr. Keener, did you hear Mr. Lyon's testimony in regards to the lease ownership --

A Yes, sir.

Q -- in Case 1156?

A Yes, sir.

Q Was that a correct statement?

A Yes, sir.

Q Are you familiar with the leases personally?

A Yes, sir.

Q Do you have those leases here for examination in event anyone wants to look at them?

A I do.

Q Now, in regard to the acreage covered in Case 1157, are you familiar with the lease ownership on that land?

A Yes, sir.

Q And did you hear Mr. Lyon's description of the ownership there?

A I did.

Q Was that a correct statement of the ownership?

A Yes.

Q Do you have those leases here in the event anyone cares to examine them?

A I do.

Q Do you have anything you care to add to that, Mr. Keener?

A No, sir.

MR. KELLAHIN: That is all the questions I have.

MR. NUTTER: Anyone have any questions of the witness? If not, he may be excused.

MR. COOLEY: Mr. Kellahin, may I examine those leases for a few minutes?

MR. KELLAHIN: Surely.

(Witness excused.)

MR. KELLAHIN: Next witness is Mr. Sebesten.

H E N R Y W. S E B E S T E N,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q State your name, please. A Henry W. Sebesten.

Q By whom are you employed, Mr. Sebesten?

A Continental Oil Company as a land man.

Q Where is your office?

A My office presently is in Fort Worth, I was in Roswell until two weeks ago and was transferred to Fort Worth.

Q What are your duties there?

A One of them, specifically in regard to the cases at hand, is attempting to obtain signatures of overriding royalty owners or mineral interest owners in regard to communitization agreements.

Q Now, referring specifically to the lands covered in Case 1156, did you make any effort to secure signatures of Della and Doll Turland?

A Yes, sir, I did. I contacted them twice in person, approximately two weeks apart, first time on August the 9th, second time on August the 24th.

MR. NUTTER: What year, Mr. Sebesten?

A Yes, sir.

MR. NUTTER: What year?

A Of this year, 1956. Then the third time, I made a phone call on September 27th, to them, and at all times they refused to sign this communitization agreement. At that time, -- now, both of these cases, 1156 and 1157 were handled together. On August the 9th, I first went by Mrs. Turland's house and found out that Mrs. Doll Turland, the younger of the two women was in the hospital. Mrs. Della Turland, her mother, informed me that she was almost blind and didn't sign any instruments, that Doll signed both. I was told to go by and see their attorney, Mr. Neal, which I did and talked to him for two or three hours, I suppose, and then I went by to see Mrs. Doll Turland in the hospital. She told me that as soon as she got out of the hospital and felt better, she would sign the instruments if her attorney advised her to do so. I agreed that I would come down approximately two weeks later, see if they felt better and felt like talking to her attorney, which I did on August 24. I made a second trip, went by to see their attorney first, talked with him approximately an hour. I was under the impression that I could go on by the Turland house and if I could persuade them to come up to the attorney's office he would advise them to sign the instruments and we could get them wound up and submit them to the U.S.G.S. I went by their house, Mrs. Doll Turland was there, she had been out of the hospital about ten days, she told me she was feeling pretty ill and that any concentration on such agreements which exert her so much

she would have to go back to the hospital. She couldn't possibly think about signing either one at that time, the royalty or the 10 mineral acres. So I finally agreed to call her in approximately two weeks again, see if they felt any better. On September 7, I made a long distance call to her house in Hobbs and talked to her. She told me then that she still felt bad and didn't feel like she could think about signing them, but she agreed to notify Mr. Rickman, who is our District Production Superintendent here in Hobbs, she agreed to notify him if and when she felt better, and felt like signing the agreements. Then I was to come down here and talk to her at that time. As of now we have heard nothing from her, and Mr. Rickman has not either, as far as I know.

Q Now, the testimony you have given as to your efforts to obtain signatures obtains equally in both of these cases?

A Yes. When I first contacted Mrs. Della Turland, I explained them and told her what it was. She told me then that she didn't sign anything, that we would have to see her attorney and that Doll signed everything for her. When I went to see Doll there, I explained both of them to her, briefly, but both of them were included in the request for signature, and it was understood by all parties concerned that both instruments were being submitted for their signatures.

Q In regard to Case 1156, were the Turlands informed that that would be a working interest?

A No, sir, they were not by me, but their attorney was.

Q Their attorney was advised by you?

A Yes, that it would be on a carried interest basis.

MR. KELLAHIN: That is all the questions I have.

QUESTIONS BY MR. NUTTER:

Q Now, Mr. Sebesten, you made your first contact with the Mesdames Turland in August some time, what was that date?

A August the 9th.

Q And your most recent contact was in September?

A September 7, by telephone call.

Q And on various other occasions, you contacted their attorney?

A Yes, sir, August the 9th and August the 24th.

MR. NUTTER: Does anyone have any questions?

MR. KELLAHIN: I have one further, if the Commission please.
Mr. Sebesten, was there any reason that it was important to secure a unit agreement or forced pooling promptly in this case?

A Yes, there was a lease expiring some time in November, and one or two, I believe it was 1156, in that case, and, of course, the well was being drilled at that time, at the time I was contacting them, the well was being drilled, and in Case No. 1156, that has been recently completed, and we had intentions at that time to begin the well on the acreage involved in Case 1157, and it was to our utmost importance to submit that agreement to the U.S.G.S. and have it sent to Washington for approval so that we could get the full allowable on the wells that were being drilled, and the U.S.G.S., of course, will not accept communitization agreements unless the royalty owners

are signed, and if there is an unleased mineral interest, of course, that has to be signed, too, on communitization agreements.

MR. KELLAHIN: That is all I have.

MR. NUTTER: Does anyone have any questions of this witness? If not, he may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further?

MR. KELLAHIN: No, sir.

MR. NUTTER: Does anyone have any statements to make in these cases? If not, we will take the cases under advisement.

* * * * *

STATE OF NEW MEXICO)

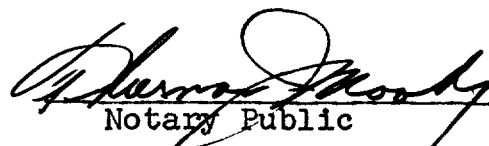
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COUNTY OF BERNALILLO)

I, THURMAN J. MOODY, 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 in Stenotype and reduced to typewritten transcript by me and/or under my personal supervision; that same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal, this, the 19th day of October, 1956, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

My Commission Expires:
April 3, 1960.


Notary Public