

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

April 23, 1957

IN THE MATTER OF
CASE NO. 1246

TRANSCRIPT OF PROCEEDINGS

DEARNLEY - MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE - SANTA FE
3-6691 2-2211

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 23, 1957

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IN THE MATTER OF:

Application of Claud E. Aikman for a
160-acre non-standard drilling and
proration unit or, in the alternative,
for a 120-acre non-standard drilling
and proration unit, in the Fulcher
Kutz-Pictured Cliffs Gas Pool in ex-
ception to Rules 2, 3, and 6 (A) of
the Special Rules and Regulations for
said pool as set forth in Order R-565-
C. Applicant, in the above-styled
cause, seeks an order establishing a
160-acre non-standard drilling and
gas proration unit in the Fulcher
Kutz Pictured Cliffs Pool comprising
the N/2 NE/4, SE/4 NE/4, and NE/4
SE/4 of Section 24, Township 29 North,
Range 12 West, San Juan County, New
Mexico, or in the alternative, a 120-
acre non-standard drilling and gas
proration unit comprising acreage in
either non-standard unit is to be ded-
icated to a well to be drilled 990 feet
from the North and East lines of said
Section 24.

CASE NO.
1246

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BEFORE:

Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: Take up next Case No. 1246.

MR. COOLEY: Case 1246. Application of Claud E. Aikman for
a 160-acre non-standard drilling and proration unit or, in the
alternative, for a 120-acre non-standard drilling and proration

unit, in the Fulcher Kutz-Pictured Cliffs Gas Pool in exception to Rules 2, 3, and 6 (A) of the Special Rules and Regulations for said pool as set forth in Order R-565-C.

MR. KELLAHIN: Jason Kellahin appearing for the applicant, and since the matters involved in this case involve informal matters pertaining to the lease ownership, I will serve as witness in this case, and I would like to be sworn.

JASON KELLAHIN

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

MR. KELLAHIN: My name is Jason Kellahin, I am an attorney for the applicant in Case 1246.

Case 1246 involves an application for a non-standard drilling and proration unit in the Fulcher Kutz-Pictured Cliffs Gas Pool. The application has been filed in the alternative, either for a 160-acre non-standard unit, which involves land not lying wholly within one Quarter Section, or in the alternative, for a 120-acre non-standard proration unit, consisting of the land lying within the Northeast Quarter of Section 24, Township 29 North, Range 13 West.

Attached to the application in this case is a plat showing the lands involved, together with the off-setting ownership, which plat I would like to have considered as a part of the record in this case.

On the plat, the acreage which is marked "Claud E. Aikman" is

held under one basic lease, that lease being a federal lease, New Mexico 0-13885, which covers the North Half of the North Half; the Southeast Quarter of the Northeast Quarter; the Southwest Quarter of the Northwest Quarter; the Northeast Quarter of the Southeast Quarter, and the Northwest Quarter of the Southwest Quarter, containing approximately 320-acres.

This lease is held in the name of Carl E. Maxie, who has entered into an operating agreement with Claud E. Aikman, granting operating rights to the applicant in this case from the surface to the base of the Pictured Cliffs Formation.

I have filed a Designation Of Operator, which was signed by Carl E. Maxie, with the Bureau of Land Management, the United States Geological Office, I should say, in Roswell.

The acreage lying in the Southwest Quarter of the Northeast Quarter, and the Southeast Quarter of the Northwest Quarter, is unleased federal acreage, upon which the applicant has been unable to obtain a lease.

I hand you what has been marked as Applicants Exhibit No. 1 in Case 1246. This is a letter signed by a Mr. W. O. Turner, who at that time, the date of the letter, was Acting Manager of the Bureau of Land Management in Santa Fe. The letter, of course, speaks for itself, however, it does show that the acreage involved, the unleased federal acreage, is not available for leasing due to the fact that a bid had been submitted by one C. C. Thomas, who had taken an appeal from the decision of the Bureau of Land Manage-

ment office in Santa Fe, refusing the bid. By decision of November 7th, 1956, the Secretary of The Interior upheld the rejection of the C. C. Thomas bid, and the land was subsequently offered for lease as a portion of Parcel Five, which was offered at the sale of February 19, 1957.

At that time, the applicant in this case submitted a bid, however, all bids on this parcel were returned unopened with the notice from the Bureau of Land Management that the land had been erroneously included in the offering.

On April 19, 1957, I, again requested that the Bureau of Land Management offer the unleased acreage for lease, and was informed verbally that the lands were unavailable for leasing at the present time.

On March 30th, Mr. Aikman, as operators, filed a notice of Intention to Drill, and I am informed that he has commenced drilling of the Maxie Federal Well No. 1, which is located 990 feet from the North and East lines of Section 24. This well, it is my belief, has presently been drilled and has not yet been completed.

On the basis of the information which has been given, I believe it is obvious that unless this Commission grants an exception to Mr. Maxie for a non-standard proration unit, he will be denied the right to develop the acreage now held by him.

My client has informed me, and I have his letter here, that he is perfectly willing to include the Southwest Quarter of the Northeast Quarter in a standard proration unit under a suitable

communization agreement, when and if it is leased, and if he secures a lease upon it himself, he will file with this Commission an application for vacating the order granting a non-standard unit and form a standard unit of this acreage by communization. Pending that time, we request that the Commission grant a non-standard unit of 160-acres, or in the alternative, that we be granted the 120-acre unit as applied for.

DIRECT EXAMINATION

BY MR. NUTTER:

Q Mr. Kellihan, this Maxie lease, which consists of the acreage that you described at the beginning of your testimony is a Federal Lease, is that correct?

A That's correct, yes, sir.

Q And you stated that on March 30th, 1957, a Notice Of Intention to drill was filed?

A Yes, sir.

Q And that was approved by the U.S.G.S.?

A That was approved, yes, sir.

Q Is the well currently drilling?

A The well is currently drilling, yes, sir, as I filed the notice myself. I might say that the approval was granted with the restriction that there would be no production until the Commission had approved a unit.

Q A proration unit of one sort or another?

A Yes, sir.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Kellihan, have the off-set operators been notified of the formation of this by notice?

A No, sir.

Q Is this proposed unit in the Fulcher Kutz-Pictured Cliffs Gas Pool?

A It is my understanding it is just outside the Pool, Mr. Utz, it comes within the Pool Rules.

Q It is adjacent to the Pool, is that your understanding?

A Yes, sir.

Q In your opinion, would it be to your benefit, or your client's benefit, to form a unit greater than 120 should the well be a small well and not be capable of making the allowable?

A I do not believe that the size of the unit would have anything to do with the productivity of the well. It is all one lease and the royalty would all be the same in any event.

Q If the well is only capable of making a 120-acre allowable, it would not be beneficial to 120-acres?

A I do not believe, Mr. Utz, that it would make any difference, so long as that acreage included acreage held by Mr. Aikman. In the event you form a standard proration unit of 160-acre and an additional 40 to be included belong to some other person, certainly a small well on a 120-acre unit would be more advantageous to Mr. Aikman.

I would like to offer into evidence, Exhibit No. 1.

MR. NUTTER: Without objection, Claud Aikman's Exhibit No. 1 in Case 1246 will be accepted.

BY MR. NUTTER:

Q Mr. Kelliham, you've requested for a non-standard drilling and proration unit consisting of 160-acre, or in the alternative, a non-standard drilling proration unit consisting of 120-acres. Does Claud E. Aikman have any preference as to which route the Commission should follow?

A The applicant would prefer the 160-acre unit. In the event he gets a well of sufficient production, why he would like to secure that allowable. However, he is presently willing to include the acreage in the South Half of the Section in any communitization agreement with Pan American, should they so desire.

Q So what is the preference?

A Well, the preference is a 160-acre non-standard unit as applied for.

MR. NUTTER: Does anyone have anything further in this case? Any further questions of the witness?

MR. COOLEY: I have some.

BY MR. COOLEY:

Q That agreement Mr. Aikman has with the lessee it constitutes Mr. Aikman as the sole person entitled to drill in the acreage to the lower limits of the Pictured Cliffs?

A It does, and I have a copy of that agreement here, an

unexecuted copy which I would be glad to put in the record if you desire.

Q I would appreciate it.

MR. NUTTER: Let the record show that exhibit, the operating agreement between Mr. and Mrs. Maxie and Mr. and Mrs. Aikman will be marked as Exhibit 2 in Case 1246, and without objection, it will be received.

BY MR. COOLEY:

Q Mr. Kelliham, are you familiar with the statutory definition of owner?

A In connection with, may I say this, in connection with the operating agreement, the copy offered as an exhibit is an unexecuted copy but I can testify of my own knowledge that the original, as executed, is identical with this.

Q Mr. Kellahin, are you familiar with the statutory definition of ownership?

A I believe I am.

Q Is it your opinion that Mr. Aikman is the sole owner?

A I believe Mr. Aikman is the sole owner from the surface to the base of the Pictured Cliffs as being the person having the sole right to drill for and produce the oil, or gas, or both within that limit.

MR. NUTTER: He would also have full rights to communitize if necessary, with another company?

A Yes, he has full rights to communitize it.

MR. NUTTER: Is there anything further in Case 1246? If not, we will take the case under advisement. And the hearing is adjourned.

C E R T I F I C A T E

STATE OF NEW MEXICO)
: ss
COUNTY OF BERNALILLO)

I, J. A. TRUJILLO, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing was reported by me in Stenotype at the time and place hereinbefore set forth; that same was thereafter transcribed into typewritten transcript by me; and that same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 9th day of May, 1957,
in the City of Albuquerque, County of Bernalillo, State of New Mexico.

J. A. Trujillo
NOTARY PUBLIC

My Commission Expires:

October 5, 1960.