

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 8, 1961

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation for an order force-pooling a 322.4-acre gas proration unit in the Atoka-Pennsylvanian Gas Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Atoka-Pennsylvanian Gas Pool in the S/2 of Section 21, Township 18 South, Range 26 East, Eddy County, New Mexico. Interested parties include J. N. Hawkins, J. W. Potter, William H. Swearingen, Smith B. Crane, Frank F. Coon, A. F. Escobar, Olive E. Harrison, Pan American Petroleum Corporation, Mayme Ressinger, J. R. Raymond, Isabell Gallegos, Alice Heck Martin, Maze Heck Pinnell, Wave Heck Hill.

Case
2173

Application of Yates Petroleum Corporation for an order force-pooling a 322.2-acre gas proration unit in the Atoka-Pennsylvanian Gas Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Atoka-Pennsylvanian Gas Pool in the N/2 of Section 28, Township 18 South, Range 26 East, Eddy County, New Mexico. Interested parties include William H. Swearingen, Alice Heck Martin, Maze Heck Pinnell, Wave Heck Hill, J. W. Potter, James W. Hall and Mrs. Lucille Ruddell Bouth.

Case
2174

BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: 2173.

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, Santa Fe, representing the applicant. If the Examiner please, I believe that

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the next case could well be consolidated with this one for purposes of the record, although we would want a separate order.

MR. MORRIS: We also call at this time Case No. 2174, application of Yates Petroleum Corporation for an order for force-pooling.

MR. NUTTER: Is there objection to the consolidation, for hearing purposes, of 2173 and 2174? The cases will be consolidated for the purposes of taking the testimony.

MR. KELLAHIN: We have one witness.

(Witness sworn.)

JACK McCAN

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you state your name, please?

A Jack McCaw.

Q By whom are you employed and in what position?

A Yates Petroleum Corporation, as Land Man.

Q In connection with your duties as Land Man, Mr. McCaw, do you have anything to do with the assembling of acreage, procurement of leases, and communitization of lease ownership?

A I do.

Q In that connection did you make any efforts to secure leases and communitization in the area involved in Case 2173 and

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2174?

A Yes, sir.

Q Would you state briefly what is proposed by Yates in these two applications?

A We propose to force-pool all mineral interests that we do not have leases on, and we do have some leases we do not have adequate pooling.

Q That applies to both tracts?

A Both tracts.

Q Do you have a plat showing the area involved in these applications, Mr. McCaw?

A Yes.

MR. KELLAHIN: If the Examiner please, we would like permission to offer this as an exhibit with permission to withdraw it and substitute a copy since this is the only one we have available at the present time.

MR. NUTTER: It will be permissible.

(Applicant's Exhibit No. 1
Marked for Identification.)

Q Mr. McCaw, referring to what has been marked as Exhibit 1, would you point out to the Examiner the area which is under consideration and the problem involved in these applications, referring first to the S/2 of Section 21, and then discuss the N/2 of Section 28?

A This area, here to here, is the S/2 of 21.

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MR. NUTTER: Where would that be on the map?

A Section 21 of Township 18 South, Range 26 East, in the Atoka Pool.

MR. NUTTER: Could you describe it, for the purposes of the transcript? Would that be the area lying north of Main Street, lying west of Dayton Street, or the entire area?

A The entire area from north of Main to the middle of Carlsbad Street.

MR. NUTTER: That is the N/2 of Section 21?

A S/2 of 21.

Q (By Mr. Kellahin) Where does the N/2 of Section 28 lie on the map?

A It lies south of Main Street, to Wilder Street.

Q With reference to the S/2 of Section 21, would you point out on the plat the tracts of land on which you do not have leases?

A We have everything under lease marked in yellow, and the part we do not have under lease is this area here, Hawkins.

MR. NUTTER: How is that area described on the map?

A It is described as "School Block" on the map. We have the N/2 of Block 7 that is not under lease, and Lot 13, Block 24, Lot 5, Lot 23 and 27 and 28 of Block 11, Lot 31, Block 5.

Q There is additional land involved in which you have leases, is there not, which you seek to force-pool in this application?

A Yes. In the S/2 of 21 we have the Harrison, this 20 acres,

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Martin and Pinnell, and one lot that belongs to J. R. Raymond, and one that belongs to Gallegos that we do not have adequate pooling on.

MR. NUTTER: What lots are those?

A I can't tell you.

Q (By MR. Kellahin) They are marked on the map?

A They are on the map by file number, and I don't have my file.

MR. PAYNE: What about the area designated as "Park"?

A We have a lease on it.

MR. NUTTER: Could you give us the file numbers of the tracts belonging to Gallegos and Raymond when you return to your office? Could you obtain that information and submit it to the Commission?

A Sure. I think I can dig it out of that file right there, from my correspondence.

Q (By Mr. Kellahin) With reference to the N/2 of Section 28, would you give the Examiner the same information on that area?

A We do not have these two lots. I believe they are 9 and 11 of Block 28.

MR. NUTTER: 9 and 11 of Block 29?

A 29, right; belongs to Hall and South.

Q (By Mr. Kellahin) Are there other tracts on which you do not have leases?

A We do not have under lease the blue, here and here, nor this.

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Q Do you have any in there on which you do not have leases which do not have adequate pooling clauses?

A No, we have adequate pooling on everything in the N/2 of 28.

Q Are there any wells drilled on either one of those tracts?

A There is a well which hasn't been completed in the N/2 of 28, and we are drilling now in the S/2 of 21.

Q What is the status of the well in Section 28?

A It is supposed to be being tested today. They have just hooked up their equipment, and are testing today.

Q A well in Block 10?

A 990 from the north and west of 28.

MR. NUTTER: What is the location of the well in the S/2 of 21?

A 1650 from the southeast, right here on Lot 12 of Block 35.

Q (By Mr. Kellahin) Mr. McCaw, according to the plat this area consists of the Dayton townsite, is that correct?

A Yes, sir.

Q What is the status of the Dayton townsite at the present time?

A It is an old abandoned town.

Q Are there any improvements located there?

A No improvements.

Q What streets have been laid out?

A The main street is a county road.

Q Does it run along the section line?



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A Yes, sir.

Q Are there any other streets?

A There is a section line road on the east side and the highway on the west side.

Q Are there any buildings or houses or anything of that nature?

A No buildings.

Q There appears to be a railroad right-of-way running through the tract. What is the situation as to that insofar as oil and gas leasing is concerned?

A We have the minerals, they have a right-of-way.

Q But you own the minerals?

A We own the minerals.

Q Now, Mr. McCaw,, what efforts have you made in regard to these two tracts to secure communization agreements?

A We have been negotiating since 1956 with all of the people in this area, and have run out of time. We have had correspondence and telephone conversations with all of the owners and recently we sent registered letters with our communization, and didn't get any replies. We have replies from all of them except the ones we have mentioned.

Q You have contacted each and every one of the individuals named in the application, is that correct?

A Yes.

Q What is the situation with regard to Pan American Petro-



leum Corporation?

A We got a wire yesterday saying they had signed the communitisation agreement.

MR. NUTTER: What acreage does Pan American own, acreage in Section 21 that you mentioned?

A No, it is the white acreage above that.

Q (By Mr. Kellahin) They are committing to the unit?

A Yes, sir.

Q Are there any other tracts which you have been able to bring into the unit subsequent to the application filed in this case?

A We have a lease from Escobar on Lot 31, Block 5, but he failed to have the lease acknowledged, so we sent it back for acknowledgement.

MR. NUTTER: Which section is that in?

A S/2 of 21.

Q (By Mr. Kellahin) You feel reasonably sure you will get a properly acknowledged lease with the pooling clause?

A We think so.

Q Are there any others you have heard from?

A We received an amendment from Mayme Ressinger who had one lot in the S/2 of 21.

Q You say you received an amendment; you mean an amendment covering the pooling clause of the lease?

A Yes.

Q That will be definitely committed to the unit?

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A Right.

Q Are there any others?

A That is all.

Q Are there any in Section 28?

A No.

Q You have not heard from any of those people?

A No.

Q What is the situation as to Mr. William H. Swearingen?

A He said he would go along with us in drilling the well, but he has not signed the communitization agreement or anything else.

Q Has he made any contribution on the cost of the well?

A He owned the well in the N/2 of 28, he paid \$1300.00 towards the drilling of the well.

Q Did that cover his share of the costs?

A Not quite.

Q In the event that the Commission sees fit to grant your application for force-pooling do you ask for recovery from these people for their proportionate share of the drilling costs?

A Yes.

Q What would you consider reasonable under the circumstances in this case?

A I would think 125%.

Q What was the cost of your well in Section 28?

A It hasn't been completed yet, but it was around \$178,000.



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Q The interests involved are quite small, for the most part?

A Right.

Q Could you say approximately what they amount to in each tract?

A 25 acres total in the S/2 of 21, and less than five in the N/2 of 28.

Q Do you have anything you care to add to your testimony, Mr. McCaw??

A I think not.

MR. KELLAHIN: If the Commission please, if we may have permission to withdraw this exhibit a copy will be furnished to the Commission by Mr. McCaw. On that basis I would like to offer in evidence Exhibit No. 1.

MR. NUTTER: That will be satisfactory, Mr. Kellahin. We will have to have the copy of this exhibit prior to the time we can take this case to the Commission, however.

MR. KELLAHIN: Yes, sir. It is my understanding you also want the tract numbers which are involved in the force-pooling application, a list of those.

MR. NUTTER: The tracts that weren't identified specifically by lot and by block.

MR. KELLAHIN: That is all I have to offer.

MR. NUTTER: Any questions of Mr. McCaw?

BY MR. PAYNE:

Q Is your figure of 125% for the non-consenting working



interest owners based on a reasonable cost of supervision and operation in the drilling of the well?

A Yes, sir.

Q Or wells?

A Yes, sir.

Q It is not based on bonus for risk?

A No.

MR. PAYNE: Thank you.

MR. NUTTER: Any further questions?

BY MR. NUTTER:

Q Who owns the royalties under the street in this townsite?

A We think the people that own the lots do.

Q You think the street is divided down the middle, and half belongs to the lot in front of that portion of the street?

A Yes.

Q You stated Mr. Swearingen had contributed around \$1300.00 to the cost?

A He has a three-acre interest in the N/2 of 28.

Q Did he contribute that on the basis of an expected cost of the well, and then the ultimate cost turned out to be higher?

A I don't know. He just mailed us the check.

Q Had you furnished him with an estimate of the cost of the well?

A We sent him an AFE, he never signed it, just mailed us a check.

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Q What was the expected cost on the AFE?

A \$171,614.00.

Q And he owns 3.320 of the acreage in the tract?

A He owns 3.139 acres, which would be around 3.320.

BY MR. PAYNE:

Q There are some unleased tracts in here?

A Yes, there are.

Q Where other owners have both the working interests and royalty interests?

A Right.

Q You are aware in this 125% figure, that only applies as to the working interests; you have to pay the royalty interests from month to month?

A Right.

MR. NUTTER: Are there any further questions of Mr. McCaw? You may be excused. Do you have anything further in these cases, Mr. Kellahin?

MR. KELLAHIN: That is all I have, Mr. Nutter. Thank you.

MR. NUTTER: Does anyone have anything they wish to offer in Case 2173 or 2174?

MR. MORRIS: I have a telegram that the Commission has received from Pan American Petroleum Corporation, which reads as follows: "Case No. 2173, docketed for Examiner Hearing on Wednesday, February 8, 1961, is Yates Petroleum Corporation's application for an order force-pooling a standard gas proration unit, consist-



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ing of the S/2 of Section 21, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico. Pan American Corporation has already voluntarily pooled its acreage in the S/2 of Section 21 with the Yates Petroleum Corporation acreage for the purpose of drilling a well in the Atoka-Pennsylvanian Gas Pool. Pan American recommends that this application be approved. Please read this telegram into the record of the hearing. Signed: Alex Clark, Jr., Pan American Petroleum Corporation."

MR. NUTTER: Is there anything further? We will take these cases under advisement and call the next case.

STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO) ss

I, JUNE PAIGE, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission 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 and notarial seal this 13th day of February, 1961.

June Paige
Notary Public - Court

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2173-2174 heard by me on 2/8, 1961.

[Signature]
Examiner
New Mexico Oil Conservation Commission



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Ex.#1	Map	3	10	10

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