

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182SANTA FE, N. M.
PHONE 983-3971ALBUQUERQUE, N. M.
PHONE 243-6691BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 26, 1962

EXAMINER HEARING

IN THE MATTER OF:Application of Southwest Production
Company for compulsory pooling, San
Juan County, New Mexico. Applicant,
in the above-styled cause, seeks an
order force pooling all mineral in-
terests in the Basin-Dakota Gas Pool
underlying the N/2 of Section 25,
Township 30 North, Range 12 West, San
Juan County, New Mexico.

Case 2709

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARINGMR. NUTTER: The hearing will come to order. The first
case this morning will be Case 2709.MR. DURRETT: Application of Southwest Production Com-
pany for compulsory pooling, San Juan County, New Mexico.

MR. VERITY: George L. Verity for the applicant.

(Whereupon, Applicant's Exhibit No. 1 marked for
identification.)

(Witness sworn)

JACK D. JONEScalled as a witness, having been first duly sworn, testified as
follows:DIRECT EXAMINATIONBY MR. VERITY:

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Q Will you please state your name?

A Jack D. Jones.

Q Mr. Jones, what is your present occupation?

A I am an independent landman.

Q Are you employed on an independent basis by Southwest Production Company, doing land work for them in the San Juan Basin?

A Yes, sir.

Q Are you familiar with the land situation in the North Half of Section 25, Township 30 North, Range 12 West, San Juan County, New Mexico?

A Yes.

Q Does Southwest have leases in that 325 acre unit?

A Yes, sir.

Q Have they drilled and completed a well at this time?

A Yes, they have.

Q Is it completed in the Dakota?

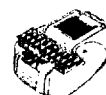
A Yes.

Q Is there acreage that they do not have under lease in the North Half of Section 25?

A Yes.

Q Tell us, if you will please, whether or not they have made an effort either to obtain the joinder of that party along with the other parties, or obtained a lease from them?

A They have, in all instances.



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Q How much is released in that?

A Well, all the acreage is leased. We have force pooling in the Connelly and Moran interests which are the Northwest of the Northeast Quarter --

Q Directing your attention to Exhibit No. 1, does it show the lease situation in this 320-acre unit?

A Yes, it does.

Q I know that Tenneco owns 120 acres and Connelly and Moran 40 acres. They hold these leases. Have they joined in the drilling and completion of that well?

A Yes, they have.

Q Forty acres are owned by Thomas Connelly and Thomas Moran?

A Right.

Q And you have not been able to obtain a joinder from them?

A Yes. They have joined, but they agreed to give us good titles to these lands, and they have failed at this point to do so. We entered into an agreement with them to take assignment of the lease covering that land, and as of this date, they still have not delivered title to these lands, so that is the reason for the force pooling, is so that we can get our portion of that money back.

Q Do you show parties other than the interested parties in this application?



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A Yes.

Q And who are they?

A Agnes J. Lixins and Earl Rogers.

Q Connally and Moran contend they own a lease on the property, do they?

A Yes.

Q Where is the location of the gas well that was drilled and completed?

A It's shown on the map there. The circle with the cross in it. It will be in the Northeast of the Northwest, the foot-ages are shown on the map in the lower right-hand portion.

Q Mr. Jones, are you familiar with the risk involved in drilling and completing a well in the Basin Dakota formation in the San Juan Basin?

A Yes, sir.

Q I believe you have testified at length with regard to research you have done on this point here before?

A Yes.

Q Tell us whether or not, in your opinion, that 25% risk factor will be a fair risk to be allowed on drilling and completing a well?

A Yes, it would.

MR. VERITY: That is all we have.

MR. NUTTER: Are there any other questions of the witness?



MR. DURRETT: Yes, sir. I have a question or two.

CROSS EXAMINATION

BY MR. DURRETT:

Q Mr. Jones, you have contacted Connelly and Moran personally and have obtained a lease from them?

A Have obtained an assignment of the lease with the agreement that they furnish us good title to that lease, which they have not yet done.

Q Now, Rogers and Likins, have you talked to them personally or contacted them by mail?

A No. Connelly has been conducting negotiations with them for a series of quit claims which would result in validating the leases.

Q Rogers and Likins do have some type of interest that is at least contended to be included in the title; is that correct?

A I think they own the minerals.

Q Is there a law suit pending at this time?

A No. It's just that Connelly and Moran just haven't gotten the quit claims. Mr. Rogers has already delivered the quit claims as needed from him, but Connelly, for some reason, has not obtained the necessary quit claims for Likins; and as I say, this has been going on for some seven months now. Southwest would like to be able to place these lands under the mortgage and get that portion of the cost of drilling the well.

Q To your knowledge, has Likins agreed to give a quit

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claim?

A Yes.

Q She just has not done so at this time?

A Yes. Well, she actually has given a quit claim, but Mr. Connelly had her quit claim to incorrect acreage.

Q But he supposedly will give a correct deed?

A Yes.

Q Let me ask you this question. I don't believe you testified on the direct examination, and if you did I missed it, as to the reasonable cost of the operation of the well?

A Well, we -- Southwest has indicated that they will go along with the cost the Commission has set up in the past.

Q That would be what; would you say?

A I believe that is set up at \$75 a month.

Q And that would be satisfactory to you?

A Yes. We, actually, in the contract we have with Moran and Connelly, we actually provided more. We also provided for the 150% risk factor, but Southwest will go along with the way the Commission set it up in the past.

Q Thank you. I believe that is all I have.

Q (By Mr. Nutter) Mr. Jones, were Eikins and Rogers the original mineral interest owners?

A No. They were the successors in title to the persons who owned it.

Q Now, what I am driving at, are they the royalty owners



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considerably but --

Q Do this isn't, actually, this figure, \$75, isn't based on practical operating costs that have been determined for this well?

A No, sir.

Q It is just what was determined from the hearing?

A Right.

MR. NUTTER: Are there any further questions of this witness? You may be excused.

(Witness excused.)

MR. NUTTER: Do you have an exhibit you wish to offer, Mr. Verity?

MR. VERITY: I wish to offer Exhibit No. 1 in evidence in this case.

MR. NUTTER: Without objection, Exhibit No. 1 will be entered in evidence.

(Whereupon Applicant's Exhibit No. 1 admitted in evidence.)

MR. NUTTER: Do you have anything further, Mr. Verity? Does anyone have anything to offer in this case? We will take the case under advisement.



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Santa Fe, New Mexico
November 20, 1962

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IN THE MATTER OF:)

Application of Southwest Production Company)
for compulsory pooling, San Juan County,)
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cause, seeks an order force pooling all)
mineral interests in the Basin-Dakota Gas)
Pool underlying the N/2 of Section 25,)
Township 30 North, Range 12 West, San Juan)
County, New Mexico.)

CASE 2709

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. VERITY: You referred to 2709 earlier and said it would be called next. I believe that that case, we would like to have it continued until the 26th. The notice was not, there was defect in the notice and it has been reset for the 26th after another notice. We would like for it to be continued until that time.

MR. UTZ: Case 2709 will be continued to December 6th.

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