

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2446
Order No. R-2068-A

APPLICATION OF SOUTHWEST PRODUCTION
COMPANY FOR A COMPULSORY POOLING
ORDER, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 29, 1961, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner, duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 21st day of December, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That by Order No. R-2068, entered in Case No. 2381 on September 29, 1961, the Commission denied an application by Southwest Production Company for compulsory pooling of all mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico; that denial of said application was without prejudice to applicant's right to request Commission action if, and when, outstanding interests were determined to exist.

(3) That Southwest Production Company, applicant in the present case, again seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool in the E/2 of said Section 22, and alleges:

(a) That Roy Rector and his wife, Ethel Rector, own the mineral interest in 0.30 acres located in the SE/4 of said Section 22.

(b) That O. G. Shelby and his wife, Leona Shelby, own the mineral interest in 0.36 acres located in the SE/4 of said Section 22.

(c) That Dwight L. Millett owns the mineral interest in 26 acres located in the NE/4 of said Section 22.

(d) That Myron H. Dale and George T. Dale own an undivided one-half mineral interest in 13 acres located in the E/2 of said Section 22.

(e) That Julian Coffey owns the mineral interest in a tract of land in the E/2 of said Section 22 claimed by him to comprise 16 acres, more or less.

(f) That San Juan County owns the mineral interest in the various roads, streets and alleyways in the E/2 of said Section 22, together comprising 5 acres, more or less.

(4) That the applicant asserts ownership of, or has under communitization agreement, the remainder of the mineral interest in the E/2 of said Section 22.

(5) That the applicant presented uncontroverted evidence that it had made fair and reasonable offers to lease or communitize the acreage of each mineral interest owner listed in finding No. 3 above, but that such efforts had been unsuccessful.

(6) That in order to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the Basin-Dakota Gas Pool, the subject application should be approved by pooling the mineral interests listed in finding No. 3 above with the mineral interests owned or communitized by the applicant.

(7) That the applicant proposes to dedicate the subject 320-acre gas proration unit to its Ollie Sullivan Well No. 1 located 1190 feet from the North line and 840 feet from the East line of said Section 22, which well has been tested and is capable of producing from the Basin-Dakota Gas Pool.

(8) That the applicant seeks permission to withhold the proceeds from production attributable to seven eighths of each non-consenting unleased interest until such time as each interest's share of the costs of said well have been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well, plus 10 percent thereof as a charge for supervision.

(9) That the applicant should be authorized to withhold the proceeds from production attributable to seven-eighths of each non-consenting unleased interest until such time as each interest's share of the costs of said well have been recovered, plus 10 percent thereof as a reasonable charge for supervision; no charge for risk should be allowed inasmuch as no risk existed

at the time the application in this case was filed, the unit well having been drilled and tested prior to that time.

(10) That the applicant should furnish the Commission and each known, non-consenting interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of this order.

IT IS THEREFORE ORDERED:

(1) That the following mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 320-acre gas proration unit in said pool:

(a) The mineral interest of Roy Rector and his wife, Ethel Rector, in 0.30 acres located in the SE/4 of said Section 22.

(b) The mineral interest of O. G. Shelby and his wife, Leona Shelby, in 0.36 acres located in the SE/4 of said Section 22.

(c) The mineral interest of Dwight L. Millett in 26 acres located in the NE/4 of said Section 22.

(d) The undivided one-half mineral interest of Myron H. Dale and George T. Dale in 13 acres located in the E/2 of said Section 22.

(e) All mineral interest owned by Julian Coffey in the E/2 of said Section 22.

(f) The mineral interest of San Juan County in 5 acres, more or less, comprised of the roads, streets and alleyways in said Section 22.

(g) The mineral interest owned by or under communitization agreement to Southwest Production Company, consisting of all of the mineral interest in the E/2 of said Section 22 with the exception of those interests described in subsections (a) through (f) above.

(2) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(3) That the costs of development and operation of the pooled unit shall be borne by each consenting working interest owner in the same proportion to the total costs that his acreage bears to the total acreage in the pooled unit.

(4) That the costs of development and operation of the pooled unit shall be borne by each non-consenting working interest owner in the same proportion to the total costs that his acreage bears to the total acreage in the pooled unit, plus ten percent of such amount as a charge for supervision.

(5) That any well costs or charges for supervision which are to be paid out of production shall be withheld only from the working interests' share of production from the pooled unit. No costs or charges shall be withheld from production attributable to royalty interests.

(6) That Southwest Production Company is hereby designated as the operator of said unit.

(7) That Southwest Production Company shall furnish the Commission and each known, non-consenting interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of this order.

(8) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Member & Secretary

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