

Case No.

847

Application, Transcript,
Small Exhibits, Etc.

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:

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF LOTS 3 AND 4, E/2 SW/4, SE/4,
(S/2) OF SECTION 31, TOWNSHIP 31
NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 707)
CASE NO. 847) Consolidated

Order No. R-546-B

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF LOTS 3 AND
4, E/2 SW/4, AND SE/4 (THESE LANDS
COMPRISING THE S/2) OF SECTION 31,
TOWNSHIP 31 NORTH, RANGE 11 WEST,
SAN JUAN COUNTY, NEW MEXICO.

APPLICATION FOR REHEARING

Your Applicant, EL PASO NATURAL GAS COMPANY, applies for re-hearing and states:

1. Applicant is the owner of oil and gas leasehold interests in and under the tract of land described in the caption and is a party affected by Order No. R-546-B entered by the Commission on January 12, 1956.

2. Your Applicant would show the Commission that its Order No. R-546-B is erroneous as follows.

a. That the Commission's Finding No. 9, insofar as it finds that the date upon which the working interest owners agreed to communitize their leases of May 19, 1954 is not supported by and is contrary to the credible evidence.

b. That the Commission's Finding No. 11 that the pooling and drilling unit was established on May 19, 1954 is not supported by and is contrary to the weight of the credible evidence.

c. That the portion of Paragraph 1 of the Commission's Order establishing May 19, 1954 as the date the drilling unit upon a pooled and communitized tract became effective is erroneous.

d. That there is no evidence in the record to show that the working interest owners made any agreement on the 19th day of

May, 1954, the date when the original hearing was conducted, and that the evidence shows the agreement to have been made and consummated prior to that date and the selection of that date is arbitrary and unreasonable.

e. That the evidence shows the working interest owners had agreed to communitize and pool their respective interests prior to February 19, 1953, on which date a Notice of Intention to Drill was filed with the Commission.

f. That the finding of the Commission that an agreement was made on May 19, 1954 is an arbitrary and unreasonable finding and not necessary to a determination of the applications.

g. The Commission having held that the working interest owners have the power without the joinder of the lessors to enter an agreement for the communitizing or pooling of tracts of land into drilling units in conformity with Order R-110, the Commission exceeded its jurisdiction by determining the date upon which the working interest owners made such agreement and exceeded its jurisdiction in determining that such agreement did not become effective until the date of the first hearing, which findings were not necessary to a determination of the applications. The Commission, having found that the working interest owners effectively pooled or communitized the tracts of land into a drilling unit, has no further jurisdiction and the Commission's Order is erroneous in attempting to do more than determine the effect of the agreement made by the working interest owners. When that agreement effectively pooled the several tracts into a drilling unit, there remained nothing further for the Commission to do, and those portions of the Commission's Order which attempt to pool or communitize at a later date are invalid and void.

h. Paragraph 2 of the Commission's Order is beyond its jurisdiction and is not supported by the evidence, and is contradictory and contrary to all of the findings and conclusions of the

Application for Rehearing

Cases Nos. 707 and 847

Commission made in the remaining portions of the Order.

WHEREFORE, your Applicant respectfully requests the Commission to grant a rehearing in these consolidated cases and to hear such further evidence as may be material, and to reconsider the Order entered by the Commission.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By Bruce D. Howell
Attorney

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:

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF LOTS 3 AND 4, E/2 SW/4,
SE/4, (S/2) OF SECTION 31,
TOWNSHIP 31 NORTH, RANGE 11
WEST, NMPM, SAN JUAN COUNTY,
NEW MEXICO.

CASE NO. 707) Consolidated
CASE NO. 847)

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR DETERMINATION AND
RATIFICATION OF COMMUNITIZATION OF
LOTS 3 AND 4, E/2 SW/4, AND SE/4
(THESE LANDS COMPRISING THE S/2)
OF SECTION 31, TOWNSHIP 31 NORTH,
RANGE 11 WEST, SAN JUAN COUNTY,
NEW MEXICO.

APPLICATION FOR REHEARING

Come now Saul A. Yager, Marian Yager, M. E. Gimp,
Morris Mizel and wife, Flora Mizel, and Sam Mizel, by their
attorneys, Campbell & Russell, and make application to the
Commission for rehearing upon Order No. R-546-B, and as a basis
for the application state:

(a) Applicants are the owners of interests in Lot 4,
Section 31, Township 31 North, Range 11 West, N.M.P.M., San Juan
County, New Mexico and are parties affected by Order No. R-546-B
entered by the Commission on January 12, 1956.

(b) Order No. R-546-B is erroneous in the following
respects:

1. Finding No. 10 is erroneous in that Order
No. R-110 was not complied with in the establishment of the
drilling unit.

2. Finding No. 11 is erroneous in that all interests within said unit were not consolidated by pooling agreement or otherwise as required by Order No. R-110.

3. Order No. R-546-B is contrary to Section 1(a) of Order No. R-110 of the Commission.

4. Order No. R-546-B is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

5. Order No. R-546-B is an unreasonable and arbitrary interpretation of the Commission's rules and regulations and deprives Applicants of their correlative rights.

6. Order No. R-546-B deprives Applicants of their property without due process of law.

7. Order No. R-546-B impairs the obligations of a valid lease contract between Applicants and El Paso Natural Gas Company.

WHEREFORE, Applicants request a rehearing in Case No. 707 - 847 Consolidated on Order No. R-546-B.

Respectfully submitted,

Saul A. Yager, Marian Yager,
M. E. Gimp, Morris Mizel and
wife, Flora Mizel, and Sam
Mizel

By *J. N. Campbell*
for CAMPBELL & RUSSELL
their attorneys

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:

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF LOTS 3 AND 4, E/2 SW/4, SE/4,
(8/2) OF SECTION 31, TOWNSHIP 31
NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 707) Consolidated
CASE NO. 847)
Order No. R-546-B

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF LOTS 3 AND
4, E/2 SW/4, AND SE/4 (THESE LANDS
COMPRISING THE 8/2) OF SECTION 31,
TOWNSHIP 31 NORTH, RANGE 11 WEST,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 707 came on for hearing originally on May 19, 1954 before this Commission, at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission signed Order No. R-546 in Case No. 707 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that the 8/2 of Section 31, Township 31 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from February 19, 1955.

Thereafter, on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. R-546-A on January 14, 1955, setting Case No. 707 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 847.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 707 came on for rehearing and Case No. 847 came on for regular hearing, at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 707 should be considered applicable to Case No. 847.

NOW, on this 12th day of January, 1955, the Commission, a quorum being present, having considered all the evidence, testimony, exhibits and legal arguments and briefs adduced and presented during the course of these two cases, 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 these cases, and the subject matter covered by the order for rehearing in Case No. 767.

2. That in making these findings and issuing this order, the Commission recognizes that there is a dispute as to whether certain leases involved in these cases remained in force and effect during all times relevant hereto; that the Commission cannot, and will not, attempt in this order to adjudicate the title to any such lease.

3. That by its Order No. R-110 this Commission established a uniform spacing plan for the Blanco-Mesaverde Gas Pool, said plan providing for drilling units of not less than 320 acres of land in the shape of a rectangle, and provided further that "the pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan of proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool".

4. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool".

5. That in order for a drilling unit to be established under the terms of Order R-110, it was necessary not only that the Commission approve a Notice of Intention to Drill a well properly located on a designated tract of land, all as required by said order, but also that the leases of the working interest owners first be pooled or integrated before such drilling unit could be so established.

6. That the S/2 of Section 31, Township 31 North, Range 11 West, NMPM, is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.

7. That applicant, El Paso Natural Gas Company, Delhi Oil Corporation, and Antec Oil and Gas Company were, on February 19, 1953, the owners of the entire working interest and operating rights under oil and

gas leases covering the S/2 of Section 31, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 322.90 acres of land, in the shape of a rectangle, said Section 31, being an irregular section containing more than 640 acres of land.

8. That on February 19, 1953, a Notice of Intention to Drill (Form C-101) was approved by a Commission Oil and Gas Inspector, said Notice of Intention to Drill having been previously filed by the applicant, El Paso Natural Gas Company; that permission was granted to drill a well to be known as the Yager Pool Unit No. 1 Well, and to be located 990 feet from the South line and 990 feet from the West line of said Section 31, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, said well to be drilled to the Mesaverde formation; said Notice of Intention to Drill designated the S/2 of said Section 31, Township 31 North, Range 11 West, NMPM, as the drilling unit; that drilling operations were commenced in said well on March 2, 1953, and the well completed on March 25, 1953, in the Mesaverde formation with an initial potential of 710,000 cubic feet of gas per day.

9. That the said working interest owners agreed to communitize their leases; that the evidence before the Commission is that such agreement had been made by May 19, 1954, the date of the first hearing in Case No. 707, no other competent evidence whatsoever being before the Commission as to when communitization was agreed upon and the consolidation of all interests therefore effected; that the Commission therefore finds that the date El Paso Natural Gas Company, Delhi Oil Corporation, and Astor Oil and Gas Company consolidated their leases was May 19, 1954.

10. That the said agreement of the working interest owners to communitize their lease complied with the provisions of Order R-110, and that the unit selected as a drilling unit likewise complied with Order R-110.

11. That the approval of the Notice of Intention to Drill by the Commission's Inspector, the designation of S/2 of said Section 31, as a drilling unit, and the agreement entered into by said working interest owners to pool their oil and gas leases covering said acreage, which agreement consolidated all interests therein, effectively established and created said drilling unit on May 19, 1954; that the S/2 of said Section 31 has been, and is, an approved drilling unit containing 322.90 acres at all times thereafter.

12. That the drilling of an additional well or wells lying within S/2 of said Section 31, Township 31 North, Range 11 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

1. That the S/2 of Section 31, Township 31 North, Range 11 West, NMPM, San Juan County, be, and is hereby, recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

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Order No. R-546-11

2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null, void, and inoperative from May 29, 1954, it is ordered that in any event all the interests in the S/2 of Section 31, Township 31 North, Range 11 West, be, and they are hereby, consolidated, and that the said acreage be, and the same is hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED:

That Order No. R-546 in Case No. 707 be, and the same is, hereby superseded by this order.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

SEAL

12/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF LOTS 3 AND 4, E/2 SW/4, SE/4,
(S/2) OF SECTION 31, TOWNSHIP 31
NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 707) Consolidated
CASE NO. 847)
Order No. R-546-C

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF LOTS 3
AND 4, E/2 SW/4, AND SE/4 (THESE
LANDS COMPRISING THE S/2) OF
SECTION 31, TOWNSHIP 31 NORTH,
RANGE 11 WEST, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of
Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel,
and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell
and upon the application of El Paso Natural Gas Company through its attorney
Ben R. Howell, for rehearing on Order Number R-546-B heretofore entered
by the Commission.

NOW, on this 10th day of February, 1956, the Commission, a
quorum being present, having fully considered said applications for rehearing,

IT IS HEREBY ORDERED:

That a rehearing in said causes be held March 16, 1956, at
9:00 o'clock a. m. on said day at Santa Fe, New Mexico.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

SEAL

MAIN OFFICE OCC
BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO
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IN THE MATTER OF THE APPLICATION)
OF EL PASO NATURAL GAS COMPANY)
FOR DETERMINATION AND RATIFICATION)
OF COMMUNITIZATION OF Lots 3 and 4,)
E/2 SW/4, SE/4 (S/2))
OF SECTION 31, TOWNSHIP 31 NORTH,)
RANGE 11 WEST, N.M.P.M., SAN JUAN)
COUNTY, NEW MEXICO, CONTAINING 322.90)
ACRES)

NO. 847

TO THE HONORABLE COMMISSION:

Your Applicant, EL PASO NATURAL GAS COMPANY, represents that it is a Delaware corporation with a permit to do business in the State of New Mexico and that it was on February 19, 1953, and at all times thereafter and now is the owner of leasehold rights or gas operating rights to the base of the Mesaverde formation under the following described oil and gas leases:

- a. United States Oil and Gas Lease Serial Number Santa Fe 078097, Raymond H. Heaton, Lessee, embracing among other lands the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 11 West, N.M.P.M.
Section 31: E/2 SW/4, SE/4

containing 240 acres, more or less.
- b. Oil and Gas Lease dated September 1, 1948, executed by Saul A. Yager and wife, Marian Yager, as Lessors, to Wayne Moore, as Lessee, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 31: Lot 4 (SW/4 SW/4)

containing 41.52 acres, more or less.
- c. United States Oil and Gas Lease Serial Number Santa Fe 078115, Roy L. Flood, Lessee, embracing among other lands the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 11 West, N.M.P.M.
Section 31: Lot 3 (NW/4 SW/4)

containing 41.38 acres, more or less.

Your Applicant represents that in Case 707 on the docket of the Commission an application for compulsory communitization of the lands is pending on rehearing, and this application is supplemental to that made in Case 707 .

Your Applicant represents that the royalty interest on Lot 4, (SW/4 SW/4) of Sec. 31, T-31-N, R-11-W, N.M.P.M., is now claimed by the following named persons:

Saul A. Yager, 613 Oil Capital Bldg., Tulsa, Oklahoma

Marian Yager, c/o C. H. Rosenstein, McBirney Building,
Tulsa, Oklahoma

M. E. Gimp, c/o Zale's Jewelry, 1606 Main Street,
Dallas, Texas

Morris Mizel and wife, Flora Mizel, 101 We. Cameron Street,
Tulsa, Oklahoma

Sam Mizel, 101 W. Cameron Street, Tulsa, Oklahoma

and that your Applicant has forwarded to Jack M. Campbell, Attorney
for the above named persons, copies of this application.

Your Applicant represents that El Paso Natural Gas Company, ~~and~~
Delhi Oil Corporation and Aztec Oil & Gas Company on February 19,
1953,

and at all times thereafter were and are the owners of the entire
working interest and operating rights under the above described
oil and gas leases covering the S/2 of said Section 31
Township 31 North, Range 11 West, N.M.P.M. containing 322.90
acres of land in the shape of a rectangle, and that the S/2
of said Section 31, Township 31 North, Range 11 West, N.M.P.M.
was on February 19, 1953 and at all times thereafter located
within the boundary of the Blanco-Mesaverde Gas Pool as designated
by the Commission.

Your Applicant further represents that by its Order No. R-110
the Commission established a uniform spacing plan for the Blanco-
Mesaverde Gas Pool which said plan provided for drilling units of
not less than 320 acres of land in the shape of a rectangle, and
provided further that "the pooling of properties or parts thereof
shall be permitted, and if not agreed upon may be required in any
case when and to the extent that the smallness or shape of a
separately owned tract would, under the enforcement of the uniform
spacing plan of proration units, otherwise deprive or tend to
deprive the owner of such tract of the opportunity to recover his
just and equitable share of the crude petroleum oil and natural
gas in the pool".

Your Applicant further represents that by its Order No. R-110,
the Commission provided that "no well shall be drilled, completed
or recompleted, and no Notice of Intention to Drill or drilling

permit shall be approved unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed or approved for completion in the pool".

Your Applicant represents that all the above named owners of the working interest agreed to communitize and pool their working interest to form a drilling^{unit}/covering the S/2 of said Section 31, and pursuant to such agreement your Applicant filed with the Commission a Notice of Intention to Drill a well to the Mesaverde Formation located 990 feet from the south line and 990 feet from the west line of said Section 31, which Notice designated the S/2 of said Section 31 as the designated drilling unit prescribed by said Order R-110; that on February 19, 1953, a duly authorized Commission Oil and Gas Inspector approved, in accordance with then existing rules and custom, said Notice of Intention to Drill and granted your Applicant permission to drill said well designated as Yager Pool Unit No. 1, and that drilling operations were commenced in said well on March 2, 1953, and the well was completed in the Mesaverde Formation on March 25, 1953, with an initial potential of 710,000 cubic feet of gas per day.

Your Applicant further represents that at all times material
Delhi Oil Corporation, Aztec Oil & Gas Company

and your Applicant were the only persons who had the right to drill

into the Mesaverde Gas Pool and to appropriate the production for themselves and that all of said working interest owners agreed to pool or communitize their separate oil and gas leases into the above described drilling unit containing 322.90 acres, and that said Agreement in all things complied with the provisions of Order No. R-110, and the unit selected by the owners as a drilling unit complied with Order No. R-110 and that the rules and regulations of the Commission made no additional requirements for the working interest owners to obtain approval of the creation of a drilling unit.

Your Applicant further represents that the Agreement entered into by said owners to pool or communitize the oil and gas leases covering the S/2 of said Section 31, and the filing by the owners of Notice of Intention to Drill and approval of such Notice by the Commission on February 19, 1953, constituted an effective approval of such communitized or pooled tract, and that the S/2 of said Section 31 has been and is an approved drilling unit containing 322.90 acres at all times thereafter.

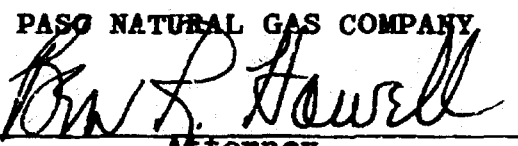
Your Applicant represents that the drilling of an additional well or wells lying within the S/2 of said Section 31, Township 31 North, Range 11 West, N.M.P.M. would be wasteful.

WHEREFORE, Your Applicant prays that the Commission determine by appropriate Order that the S/2 of said Section 31, Township 31 North, Range 11 West, N.M.P.M., be recognized as a communitized or pooled tract effective February 19, 1953, and at all times thereafter, and that such pooling or communitization accomplished by the working interest owners having the right to drill into and produce from the Mesaverde Gas Pool be confirmed and ratified.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By


Attorney