

Casa No.

852

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

LAND OFFICE CCC

FILED 41 8:24

IN THE MATTER OF THE APPLICATION)
OF EL PASO NATURAL GAS COMPANY)
FOR DETERMINATION AND RATIFICATION)
OF COMMUNITIZATION OF E/2)

OF SECTION 3 , TOWNSHIP 30 NORTH,)
RANGE 10 WEST, N.M.P.M., SAN JUAN)
COUNTY, NEW MEXICO, CONTAINING 320.68)
ACRES)

NO. 852

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 August 14, 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. Oil and Gas Lease dated July 2, 1953 from Rose Rosenwein as Lessor to El Paso Natural Gas Company as Lessee, embracing among other lands the SE/4 NW/4 SE/4 of Section 3, Township 30 North, Range 10 West, N.M.P.M., containing 10 acres, more or less.
- b. United States Oil and Gas Lease, Serial Number New Mexico 0607, The Atlantic Refining Company, Lessee, embracing among other lands Lot 1, SE/4 NE/4, SW/4 SE/4 and E/2 SE/4 of said Section 3, containing 200.29 acres, more or less.
- c. Oil and Gas Lease dated January 24, 1949, from John A. and Katharine L. Pierce as Lessors to C. H. Nye as Lessee, embracing among other lands Lot 2 of said Section 3, containing 40.39 acres, more or less.
- d. Oil and Gas Lease dated April 1, 1949, from C. H. Nye and Linda Nye as Lessors to Barnsdall Oil Company as Lessee, embracing among other lands the NE/4 NW/4 SE/4 of said Section 3, containing 10.00 acres, more or less.

Fred C. Koch owns leasehold rights or gas operating rights in the following described oil and gas lease:

Oil and Gas Lease, dated July 19, 1951, from Gladys E. DeJarnette and Leland R. DeJarnette, Alma E. Harlow and D. L. Harlow as Lessors, to Fred C. Koch as Lessee, covering among other lands the SW/4 NE/4 and the SW/4 NW/4 SE/4 of said Section 3, containing 50 acres, more or less.

Your Applicant represents that in Case 712 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 712 .

Your Applicant represents that the royalty interest on the NW/4 NW/4 SE/4 of said Section 3 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
The Atlantic Refining Company, Delhi Oil Corporation, Fred C. Koch, and Sunray
Oil Corporation on August 14, 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 E/2 of said Section 3
Township 30 North, Range 10 West, N.M.P.M. containing 320.68
acres of land in the shape of a rectangle, and that the E/2
of said Section 3, Township 30 North, Range 10 West, N.M.P.M.
was on August 14, 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 owners of working interests covering the E/2 of said Section 3 agreed to communitize and pool their interests to form a drilling unit pursuant to the provisions of Order R-110. The location of the well site selected was the SE/4 NE/4 of said Section 3, which land was covered by a United States Oil and Gas Lease and was owned by the United States. On August 14, 1953, and prior thereto and continuing up to the present time, the custom and practice followed by this Honorable Commission with reference to approval of Notice of Intention to Drill was to require the working interest owner desiring to drill a well located upon United States lands to submit Notice of Intention to Drill and obtain approval thereof from the United States Geological Survey. Pursuant to such custom and the requirements of the Commission, the working interest owners agreed to pool or communitize the E/2 of said Section 3 and Applicant filed with the United States Geological Survey its Notice of Intention to Drill a well known as the Koch Pool Unit #1 well to the Mesaverde formation to be located one thousand eight hundred (1800) feet from the north line and eight hundred and ninety (890) feet from the east line of said Section 3. On August 14, 1953 the United States Geological Survey approved said Notice of Intention to Drill and granted permission to Applicant to drill said well. Applicant then filed with the Commission the approved Notice of Intention to Drill and such approved notice was accepted by the Commission and filed as an approved and authorized permit pursuant to Order R-110. Drilling operations were commenced on said well on August 30, 1953, and said well was completed on November 9, 1953, in the Mesaverde formation with an initial potential of 5,550,000 cubic feet of gas per day. Applicant complied with all requirements of the Commission in submitting its original Notice of Intention to Drill to the United States Geological Survey for approval and the Commission has adopted and ratified such approval by accepting and filing said approved notice.

Your Applicant further represents that at all times material
The Atlantic Refining Company, Delhi Oil Corporation, Fred C. Koch, Sunray Oil
Corporation

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 320.68 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 E/2 of said Section 3, and the filing by the owners of Notice of Intention to Drill and approval of such Notice by the United States Geological ~~Geological~~ Survey, constituted an effective approval of such communitized or pooled tract, and that the E/2 of said Section 3 has been and is an approved drilling unit containing 320.68 acres at all times thereafter.

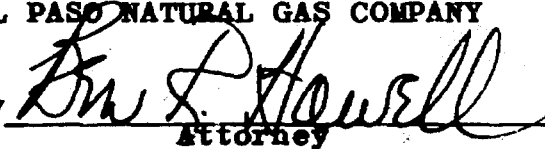
Your Applicant represents that the drilling of an additional well or wells lying within the E/2 of said Section 3, Township 30 North, Range 10 West, N.M.P.M. would be wasteful.

WHEREFORE, Your Applicant prays that the Commission determine by appropriate Order that the E/2 of said Section 3, Township 30 North, Range 10 West, N.M.P.M., be recognized as a communitized or pooled tract effective August 14, 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

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 E/2 OF SECTION 3, TOWNSHIP
30 NORTH, RANGE 10 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 712) Consolidated
CASE NO. 852)
Order No. R-558-C

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF E/2 OF
SECTION 3, TOWNSHIP 30 NORTH,
RANGE 10 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
320.68 ACRES.

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 Miel, Flora Miel,
and Sam Miel, 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-558-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. MACFAY, Member and Secretary

S E A L

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 E/2 OF SECTION 3, TOWNSHIP
30 NORTH, RANGE 10 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 712) Consolidated
CASE NO. 852)

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF E/2 OF
SECTION 3, TOWNSHIP 30 NORTH,
RANGE 10 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
320.68 ACRES

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-558-B, and as a basis
for the application state:

(a) Applicants are the owners of interests in the
NW/4 NW/4 SE/4 of Section 3, Township 30 North, Range 10 West,
N.M.P.M., San Juan County, New Mexico and are parties affected
by Order No. R-558-B entered by the Commission on January 12,
1956.

(b) Order No. R-558-B is erroneous in the following
respects:

1. Finding No. 8 is erroneous in that the United
States Geological Survey is without power or authority to grant

permission to create or form a drilling unit under the laws of the State of New Mexico.

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

3. Finding No. 11 is erroneous in that the United States Geological Survey has no authority to approve a Notice of Intention to Drill under the laws of the State of New Mexico, and said finding is further erroneous in that all interests within the said unit were not consolidated by pooling agreement or otherwise as required by Order No. R-110.

4. Order No. R-558-B is contrary to Section 1(a) of Order No. R-110 of the Commission.

5. Order No. R-558-B is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

6. Order No. R-558-B is an unreasonable and arbitrary interpretation of the Commission's rules and regulations and deprives Applicants of their correlative rights.

7. Order No. R-558-B deprives Applicants of their property without due process of law.

8. Order No. R-558-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. 712 - 852 Consolidated on Order No. R-558-B.

Respectfully submitted,

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

By Jack M. 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 E/2 OF SECTION 3, TOWNSHIP
30 NORTH, RANGE 10 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 712) Consolidated
CASE NO. 852)
Order No. R-558-B

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF E/2 OF
SECTION 3, TOWNSHIP 30 NORTH,
RANGE 10 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
320.64 ACRES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 712 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-558 in Case No. 712 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, was recognized as a communitized or pooled tract from August 14, 1953.

Thereafter, and on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Miesel, Flora Miesel, and Sam Miesel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. 558-A on January 14, 1955, setting Case No. 712 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 852.

Thereafter, on March 17, 1955, at 9:00 a. m., Case No. 712 came on for rehearing and Case No. 852 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. 712 should be considered applicable to Case No. 852.

NOW, on this 12th day of January, 1956, 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. 712.

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 there be approval of 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 E/2 of Section 3, Township 30 North, Range 10 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, Atlantic Refining Company, Sunray Oil Corporation, Fred C. Koch, and the Astec Oil and Gas Company were, on August 14, 1953, the owners of the entire working interest under oil and gas leases covering the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico, containing 320.65 acres of land more or less.

8. That on August 14, 1953, qualified permission was granted by the U. S. Geological Survey to applicant, El Paso Natural Gas Company, to drill a well known as the Koch Pool Unit #1 Well, to be located 1800' from the North line and 890' from the east line of said Section 3, said well to be drilled to the Mesaverde formation; that the E/2 of said Section 3 was designated as the drilling unit; that drilling operations were commenced on said well on August 30, 1953, and the well completed on November 9, 1953, in the Mesaverde formation with an initial potential of 5,550,000 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. 712, 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 the said working interest owners 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 by the United States Geological Survey of the Notice of Intention to Drill, the designation of the E/2 of said Section 3 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 E/2 of said Section 3 has been, and is, an approved drilling unit containing 320 acres at all times thereafter.

12. That the drilling of an additional well or wells lying within the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

1. That the E/2 of Section 3, Township 30 North, Range 10 West be and is hereby recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

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 19, 1954, it is ordered that in any event all the interests in the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, be and they are hereby, consolidated, and 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-558, in Case No. 712 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. MACKEY, Member and Secretary

SEAL