

CASE 2446: Application of SOUTH-
WEST PROD. CO. for an order pooling
mineral interests in Basin Dakota.

asa / / o.

2446

lication, Transcript,

all Exhibits, Etc.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

November 29, 1961

EXAMINER HEARING

IN THE MATTER OF:

Application of Southwest Production Company
for an order pooling all mineral interests
in the Basin-Dakota Gas Pool in the E/2 of
Section 22, Township 39 North, Range 12 West,
San Juan County, New Mexico. Interested
parties include Roy Rector and O. G. Shelby,
both of Flora Vista, New Mexico, and Myron T.
Dale, address unknown.

CASE NO.
2446

Application of Southwest Production Company
pooling all mineral interests in an undesignated
Mesaverde gas pool in the E/2 of Section
22, Township 30 North, Range 12 West,
San Juan County, New Mexico.

CASE NO.
2416
(consolidated)

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

EXAMINER NUTTER: We will call Case No. 2446.

MR. VERITY: George L. Verity, Verity, Burr & Cooley,
representing the Applicant. If the Commission cares to do so,
there is great similarity between Case No. 2446 and Southwest
Company's application 2416. I believe we might save time if we
bring evidence in both cases at one time. Both cases involve the
East half of Section 22, Township 30 North, Range 12 West. One

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application requests pooling of the Basin-Dakota gas; the other requests pooling of the Mesaverde.

EXAMINER NUTTER: We will call Cases Nos. 2446 and 2416 at this time.

MR. WHITFIELD: Case No. 2446: Application of Southwest Production Company for an order pooling all mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico.

Case No. 2416: Application of Southwest Production Company for an order pooling all mineral interests in an undesignated Mesaverde gas pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico.

MR. VERITY: We will call Mr. Jack D. Jones.

(Witness sworn.)

MR. VERITY: By way of introduction as a preliminary statement, if I might, the East half of Section 22, Township 30 North, Range 12 West, falls within the area of Case No. 2445, which the Commission has just heard wherein we requested 320-acre spacing on the Mesaverde and in this application we are requesting that it be force-pooled for that 320-acre spacing, which we have earnestly requested the Commission to grant. If not, we would, of course, force-pool to the 160-acres upon which the well is located.

JACK D. JONES,

called as a witness, having been first duly sworn on oath, was



examined and testified as follows:

DIRECT EXAMINATION

BY MR. VERITY:

Q Will you please state your name?

A Jack D. Jones.

Q Mr. Jones, what is your present occupation?

A Independent lease man.

Q Have you been employed in recent months by Southwest Production Company?

A Yes, I have.

Q In San Juan County?

A Yes.

Q Are you familiar with the land and lease situation in the East half of Section 22, Township 30 North, Range 12 West?

A Yes, sir.

Q Can you state whether or not Southwest Production Company owns the majority of the lease in the East half of that Section 22?

A They do.

Q Do they own all of the lease?

A No, they do not.

Q Have you made efforts to contact Mr. and Mrs. Roy Rector, Mr. O. W. Shelby, and anyone else in the East half of Section 22?

A Yes, I have.

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Q Who else have you contacted in an effort to obtain either their joinder in a Dakota well and Mesaverde well on a lease from them?

A Julian Coffey and Milton -- I can't remember what his first name is.

Q If you will, please, tell us whether or not you have been able from these various individuals to obtain either their joinder in a Mesaverde and Dakota well or lease from them?

A I think you should differentiate between the Rectors and the Shelby situation. We did have these lands under lease. There were four parcels involved. They are on the map.

(Applicant's Exhibit No. 1 marked.)

Q Directing your attention to Exhibit 1, would you continue your statement with regard to these different parties?

A Exhibit 1 is a plat showing the lease status in the east half of Section 22, Township 30 North, Range 12 West.

As I started to say, the leases which are designated in the righthand margin, tracts 2 and 3 and tract 4 were all under lease to Southwest and subsequent to the first hearing we had on the Mesaverde, I was going over these leases in reference to royalty problems. I noted that these leases, which were all one-year leases, provided for the payment of 1/8 royalty and shut-in royalty, but inasmuch as they were one-year leases, the man who had taken these leases had stricken the provision which



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detailed the manner and the amount in which the royalty and shut-in royalties were to be paid. Consequently, it appeared to me that the lease calling for a shut-in royalty and then deleting the manner and amount in which the shut-in royalty was to be paid were fatally defective. If not extended and amended, the lease would terminate. This occurred subsequent to our first hearing.

I prepared amendments of the lease which extended them for a year and detailed the manner in which the royalties were to be paid. These amendments were signed by the McCartneys who are shown on tract 2 and the Caldwells in tract 4, so that those lands were extended and are still sub-leased.

The other two did not sign.

Q Who are the other two?

A They would be the Rectors and Shelbys.

Q They refused to join in the well?

A Yes.

Q Is there any other area where Southwest Production Company had endeavored to obtain joinders in these two wells and then been unable to do so?

A The items marked Milton and Coffey on the map. Milton is in the Northwest of the Northeast quarter and Coffeys lands fall in the Northeast of the Southeast quarter. We endeavored to lease from them. They would not lease so we then instituted a force-pooling action against them but that was withdrawn when they agreed to enter into an operating agreement and to join us



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1. the drilling of the well.

Q Was that operating agreement prepared and submitted to them?

A Yes, it was.

Q Have they made any late decision with regard to whether or not they would execute the agreement?

A I received a call Monday night about 9:30 informing me they decided not to sign the contract because they had looked it over and determined that they couldn't afford to join us.

EXAMINER NUTTER: Is that Milton or Coffey?

THE WITNESS: Coffey.

EXAMINER NUTTER: Is Milton still in?

THE WITNESS: No. Coffey purportedly spoke for both Milton and himself.

Q (by Mr. Verity) What were the general provisions of that agreement?

A It was that they would join in the drilling of the well. They would receive 12½ percent royalty as on the production allocated to their lands. Southwest was to receive 12½ percent of the proportionate cost of the well and at that time, Milton and Coffey would have all of the production therefrom minus their share of the cost of production.

Q As I understand it, they were to receive 1/8 as a royalty from initial production and then none of the 7/8 until Southwest Production had received 125% production of their cost and



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they would receive their pro rata share of the production?

A That's right.

Q And you think it's impossible to negotiate any sort of a satisfactory joinder of these parties in this action?

A Yes, I do. They wanted me to lease the lands at \$100 an acre and 25% royalty.

Q Is that in excess of what is being paid?

A It certainly is.

Q Now, has Southwest Production Company drilled a Dakota gas well in the East half of Section 22?

A Yes.

Q Where is it located?

A It is located in the Northeast of the Northeast. It would be just a few feet south of the little parcel on the exhibit noted one.

Q Is this well now a completed producer?

A Yes, it is.

Q Do you know approximately when it was completed?

A It was completed several months ago.

Q In August of this year, possibly?

A Yes, it could be.

Q Has Southwest Production Company drilled and completed a Mesaverde well in the East half of Section 22?

A That would be on the Brown lease. It would be in the Southwest of the Southeast quarter just south of the railroad



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right-of-way there.

Q Has it been completed as a producer?

A Yes. Both wells have been completed as wells capable of producing gas. I don't believe either one of them are producing.

Q Are you familiar generally with the drilling and completion of oil-gas wells in this vicinity?

A Yes.

Q Do you know whether or not it is a hazardous undertaking?

A Yes, I believe any time that you drill you assume a risk because of any number of unforeseen situations.

Q Are the San Juan sands unpredictable in these two formations?

A Yes, I think that is aptly proven by Mr. Wiederkehr, the previous witness's testimony, as regards to Mesaverde wells in this Section 22. You have the Glen Turner well and then the Brown well. You'd think you'd have a good well, the Brown well, being as close as it was to the Glen Turner well, but it was far from being a gas well.

Q Do you have an opinion as to the amount of hazard with relation to the cost of the well?

A I think --

Q Do you have an opinion as to the percentage of hazard that there is in drilling and completing a well in the Dakota and



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Basaverde formations and in that vicinity?

A I think 25% would be a minimum, myself, because it's just hard to say what the risk factor is but there are so many things that can go wrong that you never know whether or not you're going to have a well until you have actually drilled and completed a well.

Q Do you have anything else?

A I believe the application talks about the streets and alleys and their efforts to lease the streets and alleys. We have made the streets and have not yet been able to conclude our negotiations, but I'm still conducting negotiations on those streets and alleys.

Q So far, has there been a refusal?

A Well, I first offered to lease and then I started doing some more studying on this matter. I came to the conclusion that the county did not own the streets and alleys so I withdrew my offer to the county. The county has now advised me that they are asserting claim to those streets and alleys. In my opinion, it still remains the same, that they do not own them, but we have re-opened negotiations.

Q You haven't been able to get one as yet?

A That's right.

MR. VERITY: That's all.

CROSS EXAMINATION

BY MR. MORRIS:



Q Mr. Jones, the Rector interest that you have listed here contains .46 acres?

A No. The map shows .30 acres.

Q Where is that located on this map?

A It would be -- you see the road running up the middle of it? You come down to where it joins the road coming in from the west, proceed north up there, oh, about an inch, where you see Tract 4. The Rector interest then would be Lots 7 and 8, which would be the last two in that small tract 4, there.

Q .30 acres would comprise all of those Lots 7 and 8?

A That's right; and the Shelby interest is the one immediately to the east thereof, which is marked Tract 3. You see it?

Q Tract 3.

A Just immediately --

Q How many acres are there in the Shelby parcel?

A .36 of an acre.

Q Is Mr. Shelby's name O. G. Shelby or O. W. Shelby?

A O. G. Shelby.

Q Is that parcel owned by him or by him and his wife?

A I believe it's owned jointly by two.

Q The same with the Rectors?

A Yes, sir.

Q How many acres are contained in the Milton interest?

A That is approximately 26 acres.

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Q What is Milton's initials?

A I can't remember what his first name is.

Q How about Coffey?

A His name is Julian.

Q How many acres are in his interest?

A Well, Coffey has been disputing the acreage of his land for the last fifteen years with all of his neighbors that he has driven off with a gun and has been attempting to stake other people's property. I have calculated it mathematically and within the fence there are less than 10 acres. He's claiming sixteen.

EXAMINER NUTTER: How many do you suggest be force-pooled?

MR. VERITY: All of it.

THE WITNESS: All of it.

Q (by Mr. Morris) Mr. Jones, you suggest force-pooling the Rector interest, Shelby interest, Milton interest, and the Coffey interest, and then --

A The Dailey interest which I haven't discussed yet.

Q Would you tell me about Mr. Dailey's interest, please?

A We would like to force-pool Dailey's interest on the following basis: We have a lease from his brother, George T. Dailey, but George Dailey had a power-of-attorney from his brother, Myron H., who owned the land. Mr. Dailey exercised that power-of-attorney to convey the land to himself. Subsequently, he sold the land to another person, reserving half interest in the minerals;



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so, we questioned whether Mr. George Dailey is the owner of those lands. I have attempted to get from him the address of his brother so that we could contact him and either get a lease from Myron H. Dailey, and Mr. Dailey has refused to supply me with that information. He is in Alaska. Myron H. is somewhere in Alaska. That's the only information I have been able to develop.

Q What is the extent of the Dailey interest?

A A half interest in 13 acres, or $6\frac{1}{2}$ acres.

Q You stated that you had made efforts to lease the streets and alleyways. How many acres are involved in those streets and alleys?

A Approximately 5 acres.

Q And you have made efforts to lease that acreage in spite of the belief that the County's claim to that mineral interest is unfounded?

A That's right.

Q You have the railroad right-of-way leased?

A Yes, sir.

Q How about the State Highway right-of-way?

A That is merely a right-of-way. It is, I believe, a grant in fee.

Q Did you say when the Mesaverde was completed?

A I did not. However, it was within the last two months.

Q I believe you said August, 1961, for the Dakota well?

A It was completed prior to the Mesaverde, I believe. I



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believe it would be some time around there, in the early fall.

Q Can you state why Southwest Production Company did not bring a force-pooling application covering this land before these two wells were drilled?

A As I said, we were in the process of negotiating. Actually, we had negotiated and prepared operating agreements with Milton and Coffey and had their verbal agreement that they would execute. The other lands we had under lease, the Rector parcel, the Shelby parcel, and the other two parcels in there and we have an operating agreement lease on the Dailey parcel. We were attempting to get the necessary curative instruments. I worked out the arrangement with George Dailey that in return for our agreeing not to drill upon that lease -- because he desires to build a home there -- that he would proceed to get such curative instruments signed which were furnished him.

MR. VERITY: The No. 1 Brown well which is a Mesaverde well was completed the 16th of September, 1961.

Q (by Mr. Morris) Mr. Jones, do you feel that you have made fair and reasonable offers to lease all of the interests which Southwest seeks to force-pool?

A Yes; and we will probably continue to attempt to lease them.

Q If the Commission should see fit to approve your application and if it should grant a percentage of the well costs in this case to be withheld out of production for cost of super-



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vision, what figure would you recommend be withheld for cost of supervision?

A It should be somewhere in the neighborhood -- it shouldn't be less than 10% of the cost of the well.

Q Do you base that figure on anything in particular?

A It's just a good round figure. I base it on my experience, my prior experience with the wells.

Q Do you believe that allocation of the cost of supervision based on percentage of well cost is a reasonable basis for the establishment of such cost?

A I believe that your well cost could be reduced to a percentage of the cost. However, I imagine we would be satisfied if you set what is a reasonable figure.

Q Will Southwest Production Company be willing to submit to the Commission itemized schedules of the well cost on the Dakota well and on the Mesaverde well?

A I have talked to them about that and they said that they would be happy to do so.

MR. MORRIS: That's all; thank you.

CROSS EXAMINATION

BY EXAMINER NUTTER:

Q Mr. Jones, do the various mineral interests as they stand, either leased, unleased, or in question, are they identical as far as the Mesaverde and Dakota wells are concerned?

A Yes, sir, assuming 320-acre spacing.



Q I mount the 320 in question.

A Yes, sir, identical.

EXAMINER HUPPER: Thank you.

FURTHER CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Jones, in the event the application in the previous case were denied and only 160-acre units would be in effect in the Mesaverde, would all the lease interests that we have talked about that are outstanding with the exception of Milton's interest and a portion of Coffey's interest be included within the 160 acres comprising the Southeast quarter of Section 22?

A It would exclude a portion of Mr. Dailey's interest.

Q A portion of Dailey's interest?

A Yes.

Q Could you tell me how much of Coffey's interest and how much of Dailey's interest would be included or would you just have to interpolate on the map?

A I would have to interpolate.

Q I suppose the Commission could do that in the event it would be necessary.

A I'd be happy to work it out for you. On Coffey's interest, I just don't know until we actually determined, settled what acreage he does have.

MR. MORRIS: I think the Commission should make the

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proper determination in the event it should be necessary.

MR. VERITY: We feel that pooling with regard to the interest of these parties should not be specific with regard to the acreage that we have calculated, because these can be in error. We have made them as accurate as we know. We feel we are entitled to force-pool the interests regardless of what Coffey contends in his case or what his neighbors contend, and with regard to the others, whether our figures are accurate or whether they are smaller than the true amount.

FURTHER CROSS EXAMINATION

BY EXAMINER NUTTER:

Q Mr. Jones, would you be able to furnish us with Milton's first name?

A Yes, I can get that.

Q You have stated that Milton and Coffey had declined to sign the agreement which you tendered them and he made an offer to you to lease a property for \$100 an acre and 25%?

A They wanted to know if I would lease it for \$100 an acre and 25% royalty.

Q You said that you had made reasonable offers to them. What was it?

A \$50 and 17½% royalty.

Q Per acre?

A Yes. I told them if they insisted on 25% royalty I'd see if I could get the company to pay them.

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And they have retained your efforts

Up to the present time.

EXAMINER NUTTER: Thank you.

MR. VERITY: I offer Exhibit 1 in evidence.

EXAMINER NUTTER: Applicant's Exhibit 1 will be entered in evidence in Cases 2446 and 2416.

If there is nothing further, we will take the case under advisement.

* * * *



STATE OF NEW MEXICO)

COUNTY OF SAN JUAN)

I, THOMAS M. HORNE, NOTARY PUBLIC in and for the County of San Juan, State of New Mexico, do hereby certify that the foregoing and attached transcript of hearing was reported by me in stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

Thomas M. Horne
Notary Public

My Commission expires:

October 2, 1965

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. *2416 * 2446*, heard by me on *11/29*, 19 *61*.

[Signature], Examiner
New Mexico Oil Conservation Commission

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OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

August 5, 1969

C
O
P
Y

Mr. Emery C. Arnold
Supervisor, District 3
Oil Conservation Commission
1000 Rio Brazos Road
Aztec, New Mexico 87410

Re: Forced Pooling Orders
Nos. R-2068-B and R-2151-A

Dear Emery:

After reviewing the above-described orders, the records in the cases, and all correspondence, I believe that the operator has been authorized to withhold a proportionate part of \$75.00 as to each well for supervision charges and a proportionate part of actual operating expense as to each well. From the aforesaid it then appears that the operator in these two cases is properly withholding.

I would suggest that Mr. Lindsey, if he has a question as to the actual operating cost for any particular month, ask the operator for a breakdown of the costs.

Very truly yours,

S/
GEORGE M. HATCH
Attorney

GME/esr



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
1000 RIO BRAZOS ROAD - AZTEC
87410

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

July 22, 1969

Mr. George Hatch
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Dear George:

Enclosed are copies of cost and remedial tabulations on two force pooled well units which were mailed to Mr. Lindsey by Beta Development Company. He had requested a cost accounting as set out by terms of the two pooling orders. The Ollie Sullivan #1 was pooled by order R-2068-B and the Irene Brown #1 was pooled by order R-2151-A.

At the time of the pooling case the acreage involved was owned by Julian Coffey who is now deceased.

Mr. Lindsey and his attorney, Haskell Rosebrough of Farmington, have requested a clarification from us on the definition of legitimate cost deductions. The orders specify operating cost of \$75.00 per month and I notice that all of their monthly cost tabulations exceed this figure, sometimes by several times. Are these operating costs beyond the \$75.00 per month which may be added and if so shouldn't the operator be required to document these costs?

Will you please analyze the problem and let me know what you decide. In fact, it might be preferable if you would write Mr. Lindsey or his attorney direct with your findings, but I would like a copy.

We seem to be getting inquiries from several sources concerning forced pooled units.

I am wondering if it might not be good for the Commission to review all force pooling orders and determine if the operators are conforming to the provisions of the orders. Let me know what you think?

Will you please return the enclosed cost sheets as Mr. Lindsey has no other copies.

Thanks.

Yours very truly,

Emery C. Arnold
Emery C. Arnold
Supervisor, District #3

ECA:inc

Encls.

VERITY, BURR & COOLEY
ATTORNEYS AND COUNSELORS AT LAW
SUITE 152 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO

GEO. L. VERITY
JOEL B. BURR, JR.
WM. J. COOLEY

NORMAN S. THAYER

April 24, 1962

TELEPHONE 325-1702

Case
2446

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: Interpretation Orders Nos. R-2068-B, R-2150-A,
R-2151-A, and R-2152-A.

Gentlemen:

This will acknowledge receipt of copies of each of the above referred to Orders.

Paragraph 10 of the Findings of each of these Orders provides as follows: "That it is improper for operating costs to be assessed as a percentage of well costs; accordingly \$75.00 per month should be fixed as the cost of operating the subject well and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production." Paragraph 4 of the Order of each of the above referred to Orders incorporates the above Findings into the Order portion of each Order.

It is, of course, obvious that the specific portion of the Orders referred to is making reference to supervision costs as there are, of course, many direct operating costs, and I am advised by Mr. R. S. Morris, General Counsel for the Commission, that this is what is intended by the language used, and, in light of this interpretation, Southwest Production Company will accept this portion of the Orders and make charges to the respective wells accordingly.

Yours very truly,

VERITY, BURR & COOLEY

By

Geo. L. Verity

GLV/kp

cc: New Mexico Oil Conservation Commission
Astec, New Mexico

Southwest Production Company
Dallas, Texas

File in Case No. 2416

SOUTHWEST PRODUCTION COMPANY

3108 SOUTHLAND CENTER

DALLAS 1, TEXAS

JOSEPH P. DRISCOLL

RIVERSIDE 8-8388

JOHN H. HILL

May 15, 1962

New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Re: SWP-40, Case No. 2416, Order No. R-2151-A
(Forced Pooling, Irene Brown Well,
E/2, Sec. 22-30N-12W)

Gentlemen:

Reference is made to the above-described order of the New Mexico Oil Conservation Commission providing for the forced pooling of all mineral interests, whatever they may be, in the Flora Vista-Mesa Verde Gas Pool in the E/2 of Section 22, Township 30N, Range 12W, N.M.P.M., San Juan County, New Mexico, and the dedication of such unit to the Irene Brown Well located thereon.

Pursuant to such order, there is attached an itemized current schedule of well costs. A copy of this schedule has been sent to each known non-consenting working interest owner in the subject unit, in accordance with order. Each such person has been advised of his right to pay his share of costs in such well.

Sincerely yours,

Joseph P. Driscoll
Joseph P. Driscoll

JPD/a

encls

Southwest Production Company
3108 Southland Center
Dallas 1, Texas

Cost Statement
Forced Pooling, Order No. R-2151-A

Lease Name:

Irene Brown No. 1 (Mesa Verde)
E/2, Sec. 22-30N-12W
San Juan County, N.M.

Invoice No.	Description	Amount
134-61	Aspen Drilling Co., 9-16-61 Contract Drilling	\$ 17,500.00 17,500.00*
Stmt.	San Juan Engineering Co., 8-19-61 State location and survey elevation 2% N.M. School Tax	100.00 2.00 102.00*
BC 542052	Halliburton Co., 9-17-61 200 cu. Ft. Poz-Cem. N.M. Sales Tax	379.33 7.59 386.92*
CS 782143	Halliburton Co., 9-17-61 Cementing production string N.M. Sales Tax	637.00 12.74 649.74*
S501661	Halliburton Co., 9-17-61 4-1/2" Multi stage DV Cementer and bomb type plug set N.M. Sales Tax	404.00 8.08 412.08*
T169637	Halliburton Co., 9-17-61 Open hole test @ 3375' N.M. Sales Tax	466.00 9.32 475.32*
65622	Valley Steel Products Co., 9-19-61 Sale of thread protector	(15.60) (15.60)*
0-4632	E. L. Farmer & Co., 9-20-61 Haul casing from mill to well site	287.72 287.72*
56210	Industrial Supply Co., 9-22-61 3461'9" of 4-1/2" 10.50# J-55 8RTR-2 API CP&I SMLS casing ST/C @ 120.74 cft 2% N.M. Sales Tax	4,179.72 83.59 4,263.31*
C117	P&C, Inc., 9-25-61 Haul rlg water 2% N.M. School Tax	38.50 .77 39.27*
9363	Arc Welding & Repair, 9-16-61 Cut off 4-1/2" casing N.M. Sales Tax	21.00 .42 21.42*

Cost Statement

<u>Invoice No.</u>	<u>Description</u>	<u>Amount</u>
29156	Industrial Supply Co., 9-30-61 6-4-1/2" Clark hinged Centralizers 10-4-1/2" Clark cement spinners Thread locking compound 4-1/2" Baker insert flexfill valve 4-1/2" OD RL 8rd Baker triplex cementing shoe 2% N.M. Sales Tax	93.00 99.50 8.50 45.75 267.15 10.28 524.18*
29159	Industrial Supply Co., 9-30-61 F Tubing head spool 10"x6" S/600 W/2-2" LPO/L 2-Cage nipples 2"x7" Cameron gate valve type F 2"x2-1/16" RD/O S/B incl. handwheel Valve tree cameron single string solid blk. btm. 2000# incl. handwheel Pilot bit 4-1/2" OP incl. wire retainer Less 1% freight allowance 2% N.M. Sales Tax	292.50 27.50 195.00 550.00 26.45 (5.50) 21.72 1,107.67*
29160	Industrial Supply Co., 9-30-61 Studs, nuts, tees and other misc. fittings 2% N.M. Sales Tax	105.80 2.12 107.92*
29161	Industrial Supply Co., 9-30-61 2-Gauges PR Marsh 4-1/2" Face 3000# @ 23.64 Hanger TBG FEB 6"x2-3/8" EUE Swage 2-3/8" EUE Pin x 1-1/2" Reg Box Slip & seal assy. 10"x4-1/2" incl Allen wrench Seal assy. type R 10"x4-1/2" Control plug 1/1/4" Bull plugs, needle valves, gasket rings Freight on 1450# @4.25 2% N.M. Sales Tax	47.28 59.92 22.33 235.40 80.01 18.35 44.25 61.63 11.38 580.55*
28797	Industrial Supply Co., 9-30-61 WF Casing head housing 10" SL600 x 9-5/8" Female w/2-2" LPO, studs, nuts, ring gasket Plug valve, nipple, bull plug Freight charges 2% N.M. Sales Tax	47.58 43.31 14.29 2.10 107.28*
757	Lohmann Oil Well Service, Inc., 9-30-61 Completion rig September 22 thru September 24 2% N.M. School Tax	1,773.97 35.48 1,809.45*
757-A	Lohmann Oil Well Service, Inc., 9-30-61 3rd party services - Guiberson Corp. Blank rubbers for blowout prevention 2% N.M. School Tax	82.50 1.65 84.15*
167-61	Aspen Drilling Co., 10-8-61 Day work September 16, 1961, 13-3/4 hrs. @ 35.42 1% N.M. School Tax	487.03 4.87 491.90*

Cost Statement

Lease Name: Irene Brown No. 1

Page 3

Invoice No.	Description	Amount
--	J. L. Brown, 9-2-61 Surface damages	500.00 500.00*
14543	The Western Company, 10-12-61 Acid and acidmaster 2% N.M. Tax	580.00 11.60 591.60*
501722	Halliburton Co., 10-13-61 3-Stick Halliburton suds 1% City Tax and 2% N.M. State Tax	6.90 .21 7.11*
25	Kay, Inc., 10-15-61 Furnish D-6 cat, pull trucks, clean up location 2% N.M. School Tax	157.75 3.16 160.91*
3671	Panhandle Steel Products Co., 10-17-61 Cold weather gas production unit consisting of 16"x7'-1/2' vertical 3-phase 1000# WP separator c/w 3-phase controls mounted on 30" x 7' indirect heater w/submerged choke and split coil bundle and all std. accessories 2-reinforced concrete foundation blocks 210 bbl. 1/4-3-3 API flat bottom welded steel storage tank 1" rolling line. 2" downcomer, 4' API landing, API stairway, tar paper, 2" stack valve 2% N.M. State Tax	4,154.19 40.00 1,188.50 267.08 113.00 5,762.77*
29163	Industrial Supply Co., 10-18-61 3409'8" of 1-1/2" 10 rd non EUE tubing 2.76# T&C w/J-55 couplings Freight from mill 9411# @ 1.62 cwt. Haul to location 2% N.M. Sales Tax	1,482.52 152.46 78.03 34.26 1,747.27*
29195	Industrial Supply Co., 10-25-61 Nipples, ells, unions, plugs and other misc. fittings 2% N.M. Sales Tax	100.27 2.01 102.28*
NI157	Unitex Engineering Service, Inc., 10-25-61 Swabbing well 2% N.M. School Tax	61.00 1.22 62.22*
7644	Monarch Construction Co., 10-31-61 Fill with water & glycol and backfill ditch	55.70 55.70*
7646	Monarch Construction Co., 10-31-61 Connect Tank, clean & paint well head	218.50 218.50*

Cost Statement

Lease Name: Irene Brown No. 1

Page 4

Invoice No.	Description	Amount
J-10-1	Rental of 2-3/8" tubing for drill out string used for completion 9-23 thru 9-24	\$ 500.00 500.00*
J10-3	Drilling well overhead for the period September 8 thru October 23 (46/30 of \$250)	383.18 383.18*
J10-4	Direct salaries and auto expense charges stake location and make settlement for surface damages 4 hrs. @ \$7.41 Auto expense 30 mi. @ 10¢ Drilling engineer and geologist, check samples to TD and run casing 35 hrs, @ 6.41 Auto expense 60 mi. @ 10¢ Completion engineer, drill DV tool CO to TD and complete 56 hrs. @ 7.41 Auto expense 80 mi. @ 10¢ Production foreman, clean well, potential test, clean up location, and set production equipment 48 hrs. @ 4.43 Auto expense 60 mi. @ 10¢	29.64 3.00 224.35 6.00 414.96 8.00 212.64 6.00 904.59*
42672	Atomic Sign Service, 9-7-61 Metal well sign N.M. State Tax	12.50 .38 12.88*
29585	Industrial Supply Co., 10-31-61 Misc. fittings 21.20' of 1" std. black API line pipe T&C 168' of 2" std. API line pipe T&C 31'7" of 2-3/8" 4.70# Tubing T&C J-55 Freight on tubing from mill 149# @ 80¢ 2% N.M. Sales Tax	19.96 5.57 92.01 19.83 1.19 2.77 141.33*
29585	Industrial Supply Co., 11-21-61 Nipple, tee, pipe wrench 2% N.M. Sales Tax	6.61 .13 6.74*
111	Key, Inc., 10-31-61 D-6 cat to build tank pad and mix mud to dry on location cleanup 2% N.M. School Tax	192.00 3.84 195.84*
111-A	Key, Inc., 11-13-61 Haul cat to location Pull cat out of pit 2% N.M. School Tax	27.50 24.75 1.05 53.30*
114	Key, Inc., 11-13-61 Clean up location, build fire wall, dress area around tank battery 2% N.M. School Tax	238.80 4.78 243.58*

Cost Statement

Lease Name: Irene Brown No. 1

Page 5

<u>Invoice No.</u>	<u>Description</u>	<u>Amount</u>
114-A	Key, Inc., 11-13-61 Pull cat from mud pit 2% N.M. School Tax	\$ 20.00 .40 20.40*
29198	Industrial Supply Co., 11-21-61 1/2 drum diethylene glycol 2% N.M. Sales Tax	58.89 1.18 60.07*
N1390	Unitex Engineering Service, Inc., 11-30-61 Bottom Hole pressure measurement 2% N.M. School Tax	79.00 1.58 80.58*
Total		<u>\$40,746.13</u>

No. 5-62

DOCKET: REGULAR HEARING - WEDNESDAY - FEBRUARY 14, 1962

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL, STATE LAND OFFICE
BUILDING, SANTA FE, NEW MEXICO

- ALLOWABLE: (1) Consideration of the oil allowable for March, 1962.
- (2) Consideration of the allowable production of gas for March, 1962, from ten prorated pools in Lea and Eddy Counties, New Mexico, also consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for March, 1962.

CASE 2415: (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2415, Order No. R-2150, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 14, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include the unknown heirs of Abas Hassan, the unknown heirs of D. M. Longstreet, and Robert E., Alice L. and Samuel G. Goodwin, or their unknown heirs.

CASE 2416 (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2416, Order No. R-2151, relating to the force pooling of mineral interests in the Flora Vista-Mesa-verde Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include Roy Rector, O. G. Shelby, Dwight L. Millett, Myron H. Dale, George T. Dale, and Julian Coffey.

CASE 2446 (De Novo):

Application of Southwest Production Company for a hearing de novo in Case No. 2446, Order No. R-2068-A, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include Roy Rector, O. G. Shelby, Dwight L. Millett, Myron H. Dale, George T. Dale, and Julian Coffey.

CASE 2453: (De Novo)

Application of Southwest Production Company for a hearing de novo in Case No. 2453, Order R-2152, relating to the force pooling of mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 7, Township 30 North, Range 11 West, San Juan County, New Mexico. Interested parties include Harold M. and Maleta Y. Brimhall.

CASE 2494:

Southeastern New Mexico nomenclature case calling for an order creating new pools, extending, abolishing and contracting certain existing pools and changing pool name in Eddy, Lea and Roosevelt Counties, New Mexico.

(a) Create a new gas pool for Devonian production, designated as the North Bell Lake-Devonian Gas Pool and described as:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 6: SE/4

(b) Create a new gas pool for Morrow production, designated as the Cedar Lake-Morrow Gas Pool and described as:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 36: NE/4

(c) Create a new oil pool for Seven Rivers production, designated as the East Empire Yates-Seven Rivers Pool, and described as:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 27: S/2

(d) Create a new oil pool for Devonian production, designated as the North Justis-Devonian Pool, and described as:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 2: NE/4

(e) Create a new oil pool for Delaware production, designated as the East Mason-Delaware Pool, and described as:

TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPM
Section 16: SW/4

(f) Create a new oil pool for Queen production, designated as the West McMillan Seven Rivers-Queen Pool and described as:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM
Section 11: SE/4

(g) Create a new oil pool for Seven Rivers production, designated as the Palmillo-Seven Rivers Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 18: NW/4

(h) Create a new oil pool for Bone Springs production, designated as the Quail Ridge-Bone Springs Pool, and described as:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 21: NW/4

(i) Create a new gas pool for Morrow production, designated as the North Quail Ridge-Morrow Gas Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 7: NE/4

(j) Create a new gas pool for Pennsylvanian production, designated as the West Tonto-Pennsylvanian Gas Pool and described as:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 18: NW/4

(k) Create a new oil pool for Pennsylvanian production, designated as the North Williams-Pennsylvanian Pool and described as:

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM
Section 16: NW/4

(l) Change the name of the Greenwood-Wolfcamp Pool, Eddy County, New Mexico to Shugart-Wolfcamp Pool, Eddy County, New Mexico, comprising the following described acreage:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 27: NE/4

- (m) Abolish the McMillan-Seven Rivers Pool comprising:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 31: E/2 SE/4, SE/4 NE/4
Section 32: SW/4, S/2 NW/4

- (n) Contract the Empire (Yates-Seven Rivers) Pool by the deletion of the following described Area:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 16: All
Section 17: S/2
Section 20: N/2
Section 21: W/2 & SE/4

- (o) Contract the Leo Queen-Grayburg Pool by the deletion of the following described area:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Section 12: S/2 SW/4
Section 13: W/2
Section 14: SE/4
Section 16: S/2
Section 21: NW/4
Section 23: E/2

- (p) Contract the Loco Hills-Queen Pool by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 30: SE/4

- (q) Contract the Square Lake Grayburg-San Andres Pool by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 9: SW/4 & W/2 SE/4

- (r) Extend the Anderson Ranch-Wolfcamp Pool to include:

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM
Section 28: S/2 SW/4

- (s) Extend the Artesia Queen-Grayburg-San Andres Pool to include:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 32: NE/4

- (t) Extend the Caprock-Queen Pool to include:

TOWNSHIP 13 SOUTH, RANGE 31 EAST, NMPM
Section 10: SE/4

- (u) Extend the Cruz-Delaware Pool to include:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM
Section 24: SE/4

- (v) Extend the Dog Canyon-Grayburg Pool to include:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM
Section 27: SW/4 NE/4
Section 34: NW/4 NW/4

- (w) Extend the Dollarhide-Queen Pool to include:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 24: NE/4

- (x) Extend the Drinkard Pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 30: E/2 NW/4

- (y) Extend the Empire-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 30: S/2 NE/4

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
Section 16: NW/4 SE/4

- (z) Extend the Jenkins-Wolfcamp Pool to include:

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM
Section 10: N/2 NW/4

- (aa) Extend the Lea-Devonian Pool to include:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 11: SE/4

- (bb) Extend the Loco Hills-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 21: SE/4

- (cc) Extend the Loco Hills (Grayburg-San Andres) Pool to include:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 19: E/2 SE/4

- (dd) Extend the Lusk-Strawn Pool to include:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 20: NW/4

- (ee) Extend the Maljamar Pool to include:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 32: SE/4

- (ff) Extend the Maljamar-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM
Section 28: E/2

- (gg) Extend the East Millman-Seven Rivers Pool to include:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 28: NE/4

- (hh) Extend the Milnesand-San Andres Pool to include:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM
Section 13: S/2 NE/4

- (ii) Extend the Paduca-Delaware Pool to include:

TOWNSHIP 25 SOUTH, RANGE 32 EAST, NMPM

Section 10: W/2 NE/4

Section 28: N/2 SW/4

- (jj) Extend the Parallel-Delaware Pool to include:

TOWNSHIP 20 SOUTH, RANGE 31 EAST, NMPM

Section 26: NW/4

Section 27: NE/4

- (kk) Extend the Pearl-Queen Pool to include:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM

Section 9: NW/4 NW/4

- (ll) Extend the Russell Pool to include:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 22: SE/4 SE/4

Section 27: E/2 NE/4

- (mm) Extend the North Skaggs-Drinkard Gas Pool to include:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 5: SW/4

- (nn) Extend the Vandagriff-Keyes Gas Pool to include:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM

Section 33: NE/4

- (oo) Extend the Whites City-Pennsylvanian Gas Pool to include:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Section 20: E/2

CASE 2495:

Northwestern New Mexico nomenclature case calling for an order extending certain existing pools in Rio Arriba, San Juan and Sandoval Counties, New Mexico.

- (a) Extend the Ballard-Pictured Cliffs Pool to include:

TOWNSHIP 26 NORTH, RANGE 8 WEST, NMPM
Section 13: NW/4

- (b) Extend the Tapacito-Pictured Cliffs Pool to include:

TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM
Section 26: NW/4

- (c) Extend the Blanco-Mesaverde Pool to include:

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM
Section 18: W/2

TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM
Section 9: E/2
Section 10: W/2
Section 15: W/2

- (d) Extend the Cha Cha-Gallup Oil Pool to include:

TOWNSHIP 29 NORTH, RANGE 14 WEST, NMPM
Section 25: E/2 NW/4

- (e) Extend the Escrito-Gallup Oil Pool to include:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM
Section 31: W/2 NE/4

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM
Section 22: E/2 NE/4

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM
Section 12: W/2 SE/4

- (f) Extend the Horseshoe-Gallup Oil Pool to include:

TOWNSHIP 30 NORTH, RANGE 15 WEST, NMPM
Section 19: W/2 NW/4

TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM
Section 24: NE/4 NE/4

(g) Extend the Totah-Gallup Oil Pool to include:

TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM

Section 20: E/2 SE/4

Section 21: W/2 SW/4

Case 2446

VERITY, BURR & COOLEY
ATTORNEYS AND COUNSELORS AT LAW
SUITE 152 PETROLEUM CENTER BUILDING
1982 JAN 15 PM 1:16

January 11, 1962

TELEPHONE 325-1782

GEO. L. VERITY
JOEL B. BURR, JR.
WM. J. COOLEY
NORMAN B. THAYER

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: Case No. 2446-Order No. R-2068-A
force pooling E $\frac{1}{2}$ of Sec. 22,
T-30-N, R-12-W, N.M.P.M., San
Juan County, N.M.

Gentlemen:

Enclosed please find original and two copies of Application for De
Novo Hearing in regard to the above referenced case.

Very truly yours,

VERITY, BURR & COOLEY

By


Geo. L. Verity

GLV/kp
Enclosures

MAINTENANCE OFFICE
BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO
1962 JAN 15 PM 1:16

IN THE MATTER OF:

THE APPLICATION OF SOUTHWEST)
PRODUCTION COMPANY FOR AN ORDER)
FORCE POOLING THE EAST HALF (E $\frac{1}{2}$))
OF SECTION 22, TOWNSHIP 30 NORTH,)
RANGE 12 WEST, N.M.P.M., SAN JUAN)
COUNTY, NEW MEXICO, FOR PRODUCTION)
OF GAS FROM THE BASIN-DAKOTA GAS)
POOL.)

Case No. 2446

APPLICATION FOR DE NOVO HEARING

Comes now the applicant, SOUTHWEST PRODUCTION COMPANY, a co-partnership consisting of Joseph P. Driscoll and John H. Hill, and requests that it be granted de novo hearing with regard to the captioned application, and in support thereof alleges as follows:

1. That in its application for force pooling order on file herein it alleged and stated that it was the owner of a working interest in the Basin-Dakota Formation underlying the captioned acreage; that it had drilled a well to said Basin-Dakota Formation at a location within said acreage, and that it was entitled to have certain unleased interests underlying such acreage force pooled making it the operator of the force pooled unit, and granting to it the right to produce the entire 320 acres and retain 7/8ths of all products allocated to the interests which it does not have leased underlying such unit until such time as it has been reimbursed in an amount equal to 125% of its actual costs of drilling, completing, equipping and operating said well, plus a reasonable compensation for the supervision thereof.

2. That applicant was entitled to all of the relief requested in its application, but that in Order No. R-2068-A entered by the Commission on the 21st day of December, 1961, the Commission refused to grant the pooling application of the applicant in the following respects:

- (a) It refused to pool all unleased interests in the Basin-Dakota Formation underlying the above described acreage, confining

the effect of such Order to the interests of only Roy Rector and wife, Ethel Rector, O. G. Shelby and wife, Leona Shelby, Dwight L. Millett, Myron H. Dale and George T. Dale, Julian Coffee and San Juan County, New Mexico.

(b) It refused to grant to applicant the right to produce and retain 7/8ths of any and all production until such time as it had been reimbursed in an amount equal to 125% of its actual costs of drilling, completing, equipping and operating said well, plus a reasonable compensation for the supervision thereof, granting to the applicant only the right to retain 7/8ths of the production on certain interests which it allowed to be pooled until such time as it had received 100% of said sums, on the ground that the well to produce such unit had been drilled and tested prior to the time that the application was filed; that the Commission's Order thereby refused to grant to the applicant a 25% risk factor for risk which it incurred in drilling and completing said well, and that applicant is entitled to such risk factor under the statutes of the state of New Mexico, and the rules of this Commission.

(c) That the above referred to Order granted to applicant the right to withhold the proceeds from production with respect to 7/8ths 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% thereof as a reasonable charge for supervision; that limiting such supervision allowance to 10% of the costs of said well does not adequately compensate the applicant for its supervision costs throughout the entirety of the operation of the unit, and that such Order should have granted not less than 10% of the production attributable to 7/8ths of each non-consenting unleased interest until depletion of said well by reason of the fact that supervision will be required throughout the life of the production from the unit, and will not be limited to the period of time while costs of

drilling and completing will be recovered.

3. That to protect applicant's correlative rights and prevent waste, applicant is entitled to all of the relief it requested in its application, and that it should be granted a de novo hearing with regard to its application, and upon conclusion thereof this Commission should enter an Order force pooling all unleased interests in the Basin-Dakota Gas Pool underlying the above described lands making the applicant operator of the gas proration production unit thereunder, and authorizing it to retain 7/8ths of all production from all non-consenting interest owners in said unit until such time as it has received 125% of all of its costs of drilling, completing and operating said well plus a reasonable percentage of the production throughout the life of said unit for supervision thereof.

WHEREFORE, applicant prays that it be granted a de novo hearing with regard to its application; that due notice thereof be given in accord with the laws of the state of New Mexico and the rules of this Commission; that from the evidence to be adduced thereat this Commission enter its Order force pooling all unleased interests in the Basin-Dakota Gas Pool underlying the above described lands making the applicant operator of the gas proration production unit thereunder, and authorizing it to retain 7/8ths of all production from all non-consenting interest owners in said unit until such time as it has received 125% of all of its costs of drilling, completing and operating said well plus a reasonable percentage of the production throughout the life of said unit for supervision thereof; together with such other and further provisions as may be necessary in order to protect the correlative rights of the applicant and prevent waste from the above described lands.

VERITY, BURR & COOLEY
Attorneys for Applicant

By 

Geo. L. Verity

152 Petroleum Center Building
Farmington, New Mexico

*Please return to Oil Conservation Commission
P.O. Box 871
Santa Fe*

STATEMENT OF JULIAN COFFEY IN NEW MEXICO OIL
CONSERVATION COMMISSION CASES No. 2416
AND No. 2446

As the owner of fifteen acres of land and minerals in the East Half of Section 22, Township 30 North, Range 12 West, I have an interest that is directly affected by any order entered by the Oil Conservation Commission in Cases Nos. 2416 and 2446.

In general, I am in favor of continuing the orders already entered by the Commission pooling interests in the East Half of Section 22. The provisions of Order No. R-2151 and Order No. R-2068-A seem to me to be reasonable, and the application of Southwest Production Company for modification of these orders should be denied.

Specifically, I am opposed to allowing Southwest Production to recover 125% of their drilling costs, or allowing a 25% additional recovery on account of any risks incurred in drilling the wells involved here. They placed their own value on this risk factor when they drilled without any assurance of contribution from anyone else, and solely on the basis of what they owned in the way of mineral working interest in the half section. Having already drilled their well, there certainly isn't any risk for which they should be compensated at this time. The risks involved in drilling a well are at best, speculative. Once the well has been drilled, they can be determined, and in this case the risk assumed turned out to be no risk at all. For this reason the driller cannot be entitled to any compensation.

The applicant also asks for 10% of 7/8ths of the production from these wells from inception of production to depletion for supervision charges.

Admittedly, the operator is entitled to fair price for his services, but a 10% charge for supervision is on its face so excessive as to be beyond all reason. The original allowance made by the Commission in its Orders No. R-2151, and R-2068-A was ample for this purpose and should be continued in effect.

In no case should the operator of these wells be allowed to recover any of its costs or charges out of the 1/8th royalty interest that the Commission, as a matter of policy, has always reserved to the land owner.

Since this property is being pooled against the will of some of the land-owners in the area, provision should be made in any order entered by the Commission to insure compensation for any surface damage occasioned to the land involved, and the operator should be prevented from locating its equipment, tanks, etc., near residences and outbuildings of the land-owners.

In the event there is a change in the spacing provisions of the Commission in the Flora Vista-Mesaverde Gas Pool and the

Basin-Dakota Gas Pool, provision should be made in the order of the Commission to insure equitable sharing of production by those whose lands have been pooled as a result of the Commission's orders.

Your consideration of this will be appreciated.

Respectfully submitted,

Julian Coffey
JULIAN COFFEY

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX
ATTORNEYS AT LAW
54 1/2 EAST SAN FRANCISCO STREET
POST OFFICE BOX 1713
SANTA FE, NEW MEXICO

MAIN OFFICE OCC

TELEPHONES
983-9396
982-2991

1963 OCT 4 AM 8 12

October 3, 1963

Southwest Production Company
3108 Southland Center
Dallas 1, Texas

Re: Ollie Sullivan Well No. 1,
Irene Brown Well, East Half,
Section 22, T30N, R21W,
San Juan County, New Mexico

Gentlemen:

By Order No. R-2068-B, the above acreage was forced pooled for production from the Basin-Dakota Gas Pool; and by Order No. R-2151-A, it was forced pooled for production from the Flora Vista-Mesaverde Gas Pool. Under the terms of both of these orders, any unsevered mineral interest is considered as a 7/8 working interest and a 1/8 royalty interest for the purposes of allocating costs and charges. Southwest Production was further authorized to withhold proceeds from production attributable to the non-consenting working interest until the proportionate costs and 25% risk factor have been recovered.

We are representing Julian Coffey, who is a non-consenting owner of an uncommitted mineral interest in the above tract. Mr. Coffey advises us that to date, there has been no accounting submitted to him on production from either of the above wells nor has there been any payment accounted for or tendered for the land owners 1/8 royalty interest for the acreage owned by him. Under the terms of the Commission's orders royalties must be paid on the 1/8 interest.

May we hear from you in connection with this matter.

Very truly yours,

JASON W. KELLAHIN

jwk:mas

cc - Oil Conservation Commission of New Mexico
Mr. Julian Coffey

C
O
P
Y

Case 244/6 }
Case 241/6 }
Copy in each
Case file

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX
ATTORNEYS AT LAW
545 EAST SAN ANTONIO STREET
POST OFFICE BOX 143
SANTA FE NEW MEXICO 87501

TELEPHONES
983-0386
982-2991

1963 NOV 6 1:01
November 5, 1963

Southwest Production Company
3108 Southland Center
Dallas 1, Texas

Re: Ollie Sullivan Well No. 1,
Irene Brown Well,
24, Sec. 22-30N-21W,
San Juan County, New Mexico.

Gentlemen:

On October 3, 1963, I wrote asking for an accounting on production from the above wells on behalf of Julian Coffey, a non-consenting owner whom you forced-pooled under the provisions of Order No. R-2068-B, and R-2151-A. To date we have not heard from you in connection with this request.

Mr. Coffey is entitled to a one-eighth royalty interest for that part of all production attributable to his acreage, and we request that you make an immediate accounting for this, as requested in our letter of October 3.

Very truly yours,

JASON W. KELLAHIN

JWK:msh
cc: Oil Conservation Commission of New Mexico

Mr. Julian Coffey

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*Copy made for file
R-2068-B
R-2151-A
[Signature]*

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX
ATTORNEYS AT LAW
844 EAST SAN FRANCISCO STREET
POST OFFICE BOX 1713
SANTA FE, NEW MEXICO

MAIN OFFICE, OCC
1963 DEC 13 PM 1:19
TELEPHONE
983-9386
982-2891

December 12, 1963

Mr. Joseph P. Driscoll
Southwest Production Company
3106 Southland Center
Dallas 1, Texas

Re: SWP-36 Ollie Sullivan No. 1
SWP-40 Irene Brown No. 1
San Juan County, New Mexico
Julian Coffey Interest

Dear Mr. Driscoll:

This will acknowledge receipt of your check covering royalty interest for the sales of distillate on the above wells in the amount of \$29.75. This is apparently based on a ten-acre interest.

Although Mr. Coffey has already negotiated this check, Mr. Coffey claims, and on the basis of his deeds and survey, I believe will be able to establish he actually owns 12 acres in this tract. At the time of the hearing on forced pooling for these two wells, Mr. Coffey's interest was brought to your attention. For this reason, Mr. Coffey cannot be expected to sign a division order showing a lesser interest than that actually held by him.

In connection with this matter, we have written you on October 3 and November 5 asking for an accounting of the royalties owed to Mr. Coffey; and to date, we have received only a statement on distillate production, with your letter of December 5. In this connection, you have not complied with the provisions of the orders force-pooling the mineral interests under these lands, and we again ask you for an accounting of and payment of the royalty interest owed to Mr. Coffey without further delay.

Very truly yours,

JASON W. KELLAHIN

jwk:mas
cc - Mr. Julian Coffey
Oil Conservation Commission of New Mexico
Beta Development Company

C
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Y

JOSEPH F. ORSON

SOUTHWEST PRODUCTION COMPANY

400 SOUTH LAND CENTER

DALLAS, TEXAS

REVISION OF 8-23-62

December 4, 1963

19
JOHN H. HILL

Mr. Jason W. Kellahan
Attorney at Law
54 1/2 East San Francisco Street
Santa Fe, New Mexico

Re: SWP-36 Ollie Sullivan No. 1
SWP-40 Irene Brown No. 1
San Juan County, New Mexico

Dear Mr. Kellahan:

Reference is made to your recent correspondence relative to Mr. Julian Coffey's interest in the above described units which were force pooled under orders of the New Mexico Oil Conservation Commission No. P-2068-B and R-2151-A.

We forwarded to Mr. Coffey our division order on SWP-36 dated June 1, 1962, and the division order on SWP-40 dated June 4, 1962. Mr. Coffey did not reply to either of these letters forwarding the division orders. Accordingly, the processing of funds was delayed.

If it is your desire, we will issue instructions to El Paso Natural Gas Company, which is the purchaser of gas and is holding the gas funds, to forward the gas royalty interest to Mr. Coffey.

In the meantime, in order to expedite matters, we enclose our check No. 1919, covering Mr. Coffey's share of royalty interest for sales of distillate from first production through August, 1963. As you will note, the check reflects total production through August, 1963, as follows:

SWP-36 Ollie Sullivan Well			
7,359.26 Bbls	\$124.53 Taxes	\$5,977.18 Net	\$23.35 royalty
SWP-40 Irene Brown No. 1 Well			
800.78 Bbls	\$91.67 Taxes	\$1,639.46 Net	\$ 6.48 royalty

We wish to advise you that Southwest Production Company sold its interest in these properties to Beta Development Company, P. O. Box 1650,

Mr. Jason W. Kellahin
Page -2-
December 4, 1963

Midland, Texas, as of September 1, 1963. Future distributions of royalty from distillate sales will be made by Beta. Presumably El Paso will continue to distribute gas royalties.

Sincerely yours,

Joseph P. Driscoll

JPD:ac
Encl.

cc: New Mexico Oil Conservation Commission
Mr. Julian Coffey

July 19, 1962

The Citizens Bank of Aztec which maintains offices in both Aztec and Farmington has been designated as the escrow agent by Southwest Production Company. Any proceeds from production from forced pooled property which are not disbursed for any reason will be placed in escrow in this bank.

See letter from Joseph P. Driscoll, Southwest Production Company, Dallas, Texas, dated July 16, 1962, and filed in Case No. 2600.

(Cases Nos. 2415, 2416, 2446, 2452, 2453, 2600, and in Nos. 2343 and 2381)

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 871
SANTA FE

April 19, 1962

Mr. George Verity
Verity, Burr & Cooley
Attorneys at Law
152 Petroleum Center Building
Farmington, New Mexico

Re: CASE NO. 2446, 2415 and 2416
ORDER NO. R-2068-B, R-2150-A and
R-2151-A
APPLICANT:
Southwest Production Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.
A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC ☒
Artesia OCC ☐
Aztec OCC ☒

OTHER Mr. Howard Bratton
Mr. George Selinger
Mr. Guy Buell and Mr. Garrett Whitworth

CASE 2446:

DE NOVO HEARING

FEBRUARY 14, 1962

(Southwest Production Company)

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-B

APPLICATION OF SOUTHWEST PRODUCTION
COMPANY FOR AN ORDER POOLING A 320-
ACRE GAS PRORATION UNIT IN THE BASIN-
DAKOTA GAS POOL, 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 February 14, 1962, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 18th day of April, 1962, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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 the applicant, Southwest Production Company, seeks an order pooling 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.

(3) That the applicant has made diligent effort to identify and to locate all owners of interest in the proposed proration unit.

(4) That the applicant has made fair and reasonable offers to lease, to obtain quitclaim deeds, or to communitize with respect to each non-consenting interest owner whose identity and address is known.

(5) That although the applicant has made fair and reasonable offers and has been diligent in its efforts to form the proposed proration unit, there remain non-consenting interest owners in the subject proration unit who have not agreed to the pooling of their interests.

(6) That 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 all interests, whatever they may be, within said unit.

(7) That the applicant proposes to dedicate the subject proration unit to its Ollie Sullivan Well No. 1 located in the NE/4 NE/4 of said Section 22, which well has been completed in the Basin-Dakota Gas Pool.

(8) That the applicant seeks permission to withhold the proceeds from production attributable to each non-consenting working 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 operating costs.

(9) That the applicant should be authorized to withhold the proceeds from production attributable to each non-consenting working 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.

(10) That it is improper for operating costs to be assessed as a percentage of well costs; accordingly, \$75.00 per month should be fixed as the cost of operating the subject well, and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.

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

(12) That any non-consenting working interest owner should be afforded the opportunity to pay his share of well costs within 30 days from the date the schedule of well costs is furnished him by the applicant in lieu of paying his share of costs out of production.

(13) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership.

(14) That Southwest Production Company should be designated the operator of said unit.

(15) That Order No. R-2068-A, previously entered in this case on December 21, 1961, should be superseded.

-3-

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

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, 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. Said unit shall be dedicated to the Ollie Sullivan Well No. 1 located in the NE/4 NE/4 of said Section 22.

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

(3) That Southwest Production Company is hereby authorized to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of well costs have been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(4) That \$75.00 per month is fixed as the cost of operating the subject well, and Southwest Production Company is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(5) 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.

(6) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

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

(8) That any non-consenting working interest owner shall have the right to pay his share of well costs to Southwest Production Company within 30 days from the date the schedule of well costs is furnished him by Southwest Production Company, in lieu of paying his share of well costs out of production. In the event any such owner elects to pay his share of well costs as provided for in this paragraph, he shall remain liable for operating costs but shall not be liable for risk charges.

(9) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The Commission shall be notified as to the name and address of said escrow agent.

-4-


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

(10) That Order No. R-2068-A is hereby superseded.

(11) 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



esr/

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 871
SANTA FE

December 21, 1961

Mr. George Verity
Verity, Burr & Cooley
Attorneys at Law
152 Petroleum Center Building
Farmington, New Mexico

Re: CASE NO. 2446, 2416, and 2453
ORDER NO. R-2068-A, R-2151 & R-2152
APPLICANT:
Southwest Production Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.
A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC x

OTHER

Page 2446
JACK D. JONES

4012 CEDAR DRIVE
FARMINGTON, NEW MEXICO
December 19, 1961

PHONE DAVIS 5-1463

Re: Costs for Southwest Production
Company wells

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

Pursuant to your requests find enclosed herewith copies of
billings for the following wells:

1. Pearl Wilkes No. 1 (Dakota), E $\frac{1}{2}$ Sec. 14, T. 30 N.,
R. 12 W., N.M.P.M., San Juan County, New Mexico.
Total costs to date: \$80,309.02.
2. Ollie Sullivan No. 1 (Dakota), E $\frac{1}{2}$ Sec. 22, T. 30 N.,
R. 12 W., N.M.P.M., San Juan County, New Mexico.
Total costs to date: \$73,634.54.
3. Irene Brown No. 1 (Mesa Verde), E $\frac{1}{2}$ Sec. 22, T. 30 N.,
R. 12 W., N.M.P.M., San Juan County, New Mexico.
Total costs to date: \$39,931.41.

The above amounts reflect the totals of the billings received
to date and do not necessarily reflect the total costs of drilling
the indicated wells. Any additional billings will be supplied to
you as soon as received.

Additionally, I will forward the billings for the well drilled
in the East Half of Section 7, T. 30 N., R. 11 W., N.M.P.M., San
Juan County, New Mexico as soon as I receive them.

Very truly yours,

Jack D. Jones
Jack D. Jones

JDJ/hs
Enc.

cc: Southwest Production Company (w/o enc.)

August 26, 1961

Core
2446

JOINT INTEREST BILLING
Southwest Production Company
3108 Southland Center
Dallas 1, Texas

Month of August, 1961

Lease Name:

Ollie Sullivan No. 1 (DK)
E/2, Sec. 22-30N-12W
San Juan County, New Mexico
AFE dated July 10, 1961

<u>Invoice No.</u>	<u>Description</u>	<u>Amount</u>
120-61	Aspen Drilling Company, 8-22-61 Contract drilling	\$ 32,500.00
5501574	Halliburton Company, 8-3-61 4-1/2" 8r multi-stage D.V. Cementers N. M. State Tax	808.00 18.16 824.16*
C116	P&C, Inc., 8-7-61 Hauling water 2% N. M. School Tax	73.50 1.47 74.97*
BC- 607207	Halliburton Company, 8-3-61 425 cu. ft. Pozmix-S Cement mixed 1:1 N. M. State Tax	1,165.99 23.32 1,189.31*
CS- 373765	Halliburton Company, 8-3-61 Cementing production string N. M. State Tax	937.00 18.74 955.74*

Lease Name: Ollie Sullivan No. 1
Page -2-

Invoice No.	Description	Amount
55514	Industrial Supply Company, 8-8-61 6566'7" of 4 1/2" 10.50# J-55 8rt R-2 API Smls. casing ST/C Special testing 2% N. M. Sales Tax	\$ 7,928.49 175.52 162.08 8,266.09*
2551	Goodno Welding & Mfg., Inc., 8-8-61 Cutoff 4 1/2" casing 2% N. M. School Tax	17.50 .35 17.85*
T27242	Industrial Supply Company, 8-9-61 "WF" Casinghead housing 10" S/600x9-5/8" OD 3rd female W/2-3" LP outlets w/gasket, studs and nuts 2" Nordstrom hub plug valve Bull plug and nipple Freight charges 2% N. M. Sales Tax	241.85 38.28 5.03 16.24 6.03 307.43*
T28657	Industrial Supply Company, 8-9-61 1 gal. Kopr Kote thread lubricant 2% N. M. Sales Tax	9.30 .19 9.49*
8554	Little Tool Company, Inc., 8-10-61 Weld pipe on shoe 2% N. M. State Tax	10.50 .21 10.71*
6-68	B. F. Walker, Inc., 8-11-61 Haul 4-1/2" casing	589.68*
18416	Lane Wells Company, 8-13-61 E-Gun perforations 77 holes from 6452' to 6432' 66 holes from 6351' to 6331' 2% N. M. State Tax	935.96 18.72 954.68*

Lease Name: Ollie Sullivan No. 1
Page -3-

Invoice No.	Description	Amount
12784	Western Company, 8-16-61 Acidizing 2% N. M. State Tax	\$ 745.00 14.90 759.90*
12780	Western Company, 8-14-61 Fracing at depth of 6001'-7000' 2% N. M. State Tax	5,481.60 108.83 5,588.43*
61-756	B & R Service, Inc., 8-17-61 Furnish and set 2" W mandrel plug choke N. M. State Tax	150.00 3.00 153.00*
31806	Baker Oil Tools, Inc., 8-17-61 Packing element 2% N. M. State Tax	27.60 .55 28.15*
6-79	E. F. Walker, Inc., 8-17-61 Hauling 2-5/8" tubing	240.13*
716	Lohmann Oil Well Service, Inc., 8-21-61 Completion unit 8-12 thru 8-18 2% N. M. School Tax	5,088.08 191.76 5,189.84*
T28754	Industrial Supply Company, 8-23-61 3 - 4-1/2" OD metal petal baskets 4-1/2" OD 3rd M&F differential fillup collar 4-1/2" OD Slip joint cement guide shoe 15 - 4-1/2" Clark hinged centralizers 20 - 4-1/2" Clark cement spinners 150' (30 - 5' sections) Clark rotating scratchers Locking compound and yellow paint sticks 2% N. M. Sales Tax	154.05 160.00 28.45 272.25 199.00 398.50 11.14 22.43 1,143.82*

Lease Name: Ollie Sullivan No. 1
Page -4-

Invoice No.	Description	Amount
32145	Baker Oil Tools, Inc., 8-24-61 Model D retrievematic cementer w/accessory equipment and service 2% N. M. Sales Tax	\$ 402.00 8.04 410.04*
T28755	Industrial Supply Company, 8-29-61 Slip and seal assy. "CA" 10"x4-1/2" incl. Allen wrench Seal Assy. type "R" 10" x 4-1/2" Spool tubing head "F" 10" x 6" 2000# WP w/2-2" std. outlets Bit pilot w/wire retainer, flange, bull plug and gaskets 2% N. M. State Tax	235.40 80.01 344.50 58.62 14.57 743.10*
T28756	Industrial Supply Company, 8-29-61 Valve tree cameron, single string solid block bim. flg. 6" 2000# Studs, nuts, tees, and other misc. fittings Less 1% freight allowance 2% N. M. Sales Tax	550.00 47.38 (5.50) 11.84 603.70*
T28757	Industrial Supply Company, 8-29-61 Flanges, nipples, rings and other misc. fittings 2% N. M. Sales Tax	75.93 1.52 77.45*
T28758	Industrial Supply Company 8 - 2" welds 2000# WP 2 - Gauge pr. marsh 4-1/2" face 3000# Hanger tubing FBB 6"x12" EUE Needle valves, bull plug, and other misc. fittings 2 - valve cameron gate "F" 2"x2-1/16" 2000# Freight charges on 1286# @ 4.25 2% N. M. Sales Tax	40.00 47.28 59.92 53.52 NC 54.68 5.11 260.49*
Total		\$ 60,863.10

November 13, 1961

JOINT INTEREST BILLING

Southwest Production Company
3108 Southland Center
Dallas 1, Texas

Supplemental Billing

Months of August, September and October, 1961

Lease Name:

Ollie Sullivan No. 1 (DK)
E/2, Sec. 22-30N-12W
San Juan County, New Mexico

<u>Invoice No.</u>	<u>Description</u>	<u>Amount</u>
Stmt.	San Juan Engineering Co., 5-4-61 Stake location and survey elevation 2% N.M. School Tax	\$ 100.00 2.00 102.00*
65591	Valley Steel Products Co., 3-24-61 Sale of thread protector	(16.57) (16.57)*
28782	Industrial Supply Co., 8-31-61 6433'4" of 1-1/2" 10rd non EUE JCW-50 tubing T&C W/J-55 2.75¢ beveled coupling 17,692¢ freight from mill @ 1.62 Hauling to location 2% N.M. Sales Tax	2,795.93 286.61 61.20 62.87 3,206.61*
28806	Industrial Supply Co., 8-31-61 3-7/8" Tricone bit Freight on 10¢ @ 4.43 2% N.M. Sales Tax	95.63 .44 1.82 97.89*
2578	Panhandle Steel Products Co., 8-26-61 210 bbl. 1/4-3-3 API flat bottom welded steel storage tank	1,188.30

Lease Name: Ollie Sullivan No. 1
Page -2-

Invoice No.	Description	Amount
3578 (cont'd)	1" Rolling line, 2" downcomer, 4' landing, API stairway, tar paper, 2" stack valve 16" x 7-1/2" production unit w/3-phase separator, all std. accessories submerged in 30" x 7' indirect heater w/split coil bundle w/submerged choke, 3-phase controls all mounted and piped up	267.08 3,911.07 40.00 108.13 5,514.78*
7535	Monarch Construction Co., 10-12-61 Lay flow line, connect tank, fence pit	218.50 218.50*
29181	Industrial Supply Co., 10-18-61 94.08' of 2" EUE 8rd 4.70# J-55 tubing T&C 147' of 2" blk. API line pipe T&C 21.20' of 1" blk. API line pipe T&C Freight from mill 2% N.M. Sales Tax	58.85 80.51 5.57 3.54 2.97 151.44*
3299	Goodman & Sons, 10-18-61 Surface damages	500.00 500.00*
26	Key, Inc., 10-15-61 D-6 cat to clean location 2% N.M. School Tax	84.00 1.68 85.68*
29197	Industrial Supply Co., 10-25-61 Nipples, plug valves, bull plugs, ells 2% N.M. Sales Tax	82.50 1.65 84.15*
7843	Monarch Construction Co., 10-31-61 Fill with glycol and water	21.70 21.70*

Lease Name: Ollie Sullivan No. 1
 Page -3-

<u>Invoice No.</u>	<u>Description</u>	<u>Amount</u>
J10-1	Rental of 2" EUE J-85 tubing for drill out string for the period Aug. 12 thru Aug. 18	500.00 500.00*
J-10-3	Drilling well overhead for the period July 25 thru Sept. 18 (83/30 of \$250)	441.49 441.49*
J10-8	Direct salary and auto expense charges	
	stake location and make settlement for	59.28
	surface damages 8 hrs. @ 7.41	6.50
	Auto expense 65 mi. @ 10¢	
	Drilling engineer and geologist; check	352.55
	samples to TD and run casing 35 hrs. @ 6.41	11.00
	Auto expense 110 mi. @ 10¢	
	Completion engineer; perforate and sand-water	1,170.78
	frac. completion 152 hrs. @ 7.41	21.00
	Auto expense 210 mi. @ 10¢	
	Production foreman; clean well, potential	
	test, set production equipment, and clean	230.36
	up location 52 hrs. @ 4.43	7.20
	Auto expense 72 mi. @ 10¢	
		<u>1,858.67*</u>
		<u>\$ 12,766.44</u>
	Total	

OIL CONSERVATION COMMISSION

P. O. BOX 871
SANTA FE, NEW MEXICO

MEMORANDUM

TO: Members of the Oil Conservation Commission
Governor Edwin L. Mechem, Chairman
Land Commissioner E. S. Johnny Walker, Member
A. L. Porter, Jr., Secretary-Director

FROM: Richard S. Morris, Attorney

SUBJECT: Cases Nos. 2415, 2416, 2446 and 2453, Applications
of Southwest Production Company for compulsory
pooling orders.

Attached to this memorandum are proposed orders to be entered in the subject cases each of which involves an application by Southwest Production Company for compulsory pooling of a standard 320-acre gas proration unit. In each of these cases approval of the application is recommended with certain reservations.

In the past, the Commission has ordered pooling of all mineral interests in a proposed proration unit without listing those interests which have not consented to voluntary pooling. This procedure might well result in the pooling of interests which were never given a fair chance to join the unit voluntarily.

In each of the proposed orders, however, pooling has been effected by itemizing the ownership and amount of each non-consenting mineral interest and ordering those interests pooled with the remainder of the mineral interest in each unit which the applicant alleges to own or have communitized. In this way,

OIL CONSERVATION COMMISSION

P. O. BOX 871
SANTA FE, NEW MEXICO

-2-

Memorandum to Members of the
Oil Conservation Commission

only the non-consenting interests divulged by the applicant
are subjected to compulsory pooling.

In each of these cases the applicant has requested permission to withhold the proceeds from production attributable to each non-consenting working interest until that interest's share of well costs are recovered, plus 10 percent of such share as a charge for supervision, plus another 25 percent as a charge for risk. The 10 percent figure is reasonable and has become standard in the Commission's compulsory pooling orders. The 25 percent charge for risk is reasonable also where the unit well has not yet been drilled, but where, as in each of these cases, the well was drilled and completed prior to the application for compulsory pooling, it does not seem reasonable to make any allowance for risk. The operator should have brought the application before the well was drilled and the risk run.

In summary, these proposed orders represent a departure from our past practice of pooling all mineral interests in a proposed proration unit, by itemizing the individual non-consenting interests that are being pooled. The orders also represent the Commission's attitude, here expressed for the first time, toward the disallowance of a charge for risk where the unit well was drilled and completed before the application for compulsory pooling.

December 20, 1961

lr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF:

THE APPLICATION OF SOUTHWEST
PRODUCTION COMPANY FOR A FORCE
POOLING ORDER ON THE BASIN-
DAKOTA GAS POOL, SAN JUAN COUNTY,
NEW MEXICO.

2446
Case No. 2381

APPLICATION FOR DE NOVO HEARING

Comes now the applicant, SOUTHWEST PRODUCTION COMPANY, a co-partnership consisting of Joseph P. Driscoll and John H. Hill, acting by and through its attorneys, Verity, Burr & Cooley, and makes application to the Commission for de novo hearing, Southwest Production Company having heretofore made application to this Commission for the relief herein requested, said application having been assigned Case No. 2381, and said case having been heard before Examiner Daniel S. Nutter on September 20, 1961, and, on September 29, 1961 the Commission having entered its Order R-2068 denying the relief requested therein.

In support of its application for de novo hearing, Southwest Production Company alleges and states as follows:

1. That it is the owner of numerous oil and gas leases covering portions of the East Half (E $\frac{1}{2}$) of Section 22, Township 30 North, Range 12 West, N.M.P.M., in San Juan County, New Mexico, the validity of which is uncontested, and that it has entered into communitization agreements with the owners of leasehold and fee estates in certain other lands situated in the East Half (E $\frac{1}{2}$) of said Section 22, under the terms of which communitization agreements the applicant is constituted as the "Operator" thereof.

2. That there are presently two tracts of land in the East Half (E $\frac{1}{2}$) of said Section 22 which are not under lease, said tracts being as follows, to-wit:

Tract No. 1 - containing .46 acres, more or less, belonging to ROY RECTOR, whose address is Flora Vista, New Mexico;

Tract No. 2 - containing .27 acres, more or less, belonging to O. G. SHELBY, whose address is Flora Vista, New Mexico.

3. That an examination of the records of the County Clerk of San Juan County, New Mexico, indicates that one Myron T. Dale is the beneficial owner of an equitable interest in a portion of the minerals underlying the East Half (E $\frac{1}{2}$) of said Section 22; and that said records indicate the interest of said Myron T. Dale is not under lease. That applicant has made numerous and diligent efforts to locate the whereabouts of said Myron T. Dale, but without success other than that said individual is believed to reside somewhere in the State of Alaska.

4. That an examination of the records of the County Clerk of San Juan County, New Mexico, indicates that the minerals underlying certain dedicated streets and alleys in the unincorporated community of Flora Vista, New Mexico, are or may be vested in the County of San Juan, State of New Mexico by virtue of the statutory effect (Section 14-2-10, NMSA, 1953 Compilation) of the aforesaid dedication. That applicant has attempted to obtain an oil and gas lease from the County of San Juan, State of New Mexico, covering the aforesaid minerals but has thus far been unable to do so.

5. That the mineral ownership in the East Half (E $\frac{1}{2}$) of said Section 22 has been divided into numerous small and irregular tracts and that the descriptions of several of such tracts, as they appear in the records of the County Clerk of San Juan County, New Mexico, contain discrepancies which give rise to several gaps in the East Half (E $\frac{1}{2}$) of said Section 22, and that said gaps are not, according to such records, under lease. That applicant has made

numerous and diligent efforts to ascertain the names and addresses of the owners of such unleased tracts but has thus far been unable to do so.

6. That at the time the original application was filed herein applicant was planning to drill a well to the Basin-Dakota gas pool in the Northeast Quarter of the Northeast Quarter (NE $\frac{1}{4}$ NE $\frac{1}{4}$) of said Section 22; that said well has now been drilled and completed as a commercially productive well and applicant desires to dedicate the entire East Half (E $\frac{1}{2}$) of said Section 22 to said well in accordance with the special rules and regulations of the Basin-Dakota gas pool.

7. That there was considerable risk involved in the drilling of the above referenced well and that under the Statutes of the State of New Mexico and Rules and Regulations of the Oil Conservation Commission applicant is entitled to, and should be allowed to take and receive for its own use 7/8ths of any and all production had from the above referenced well until such time as it has been reimbursed in an amount equal to 125% of its actual costs of drilling, completing, equipping and operating said well plus reasonable compensation for the supervision thereof.


8. That the force pooling order herein requested is in the interest of conservation and will prevent waste in that it will further the development of the Basin-Dakota gas pool on the spacing pattern established by the special rules and regulations of the Basin-Dakota gas pool.

9. That the force pooling order herein requested is required in order to protect the correlative rights of the applicant and all other owners of leasehold and mineral interests in the East Half (E $\frac{1}{2}$) of said Section 22.

WHEREFORE, applicant prays that this application for de novo hearing be set down before the Commission, as provided by the Rules and Regulations of the Oil Conservation Commission and the Laws of the State of New Mexico, and that after hearing, and from the evidence to be adduced thereat, this Commission enter its order force pooling the East Half (E $\frac{1}{2}$) of said Section 22 as to the Basin-Dakota gas pool.

Respectfully submitted,

VERITY, BURR & COOLEY,

By 
William J. Cooley

ATTORNEYS FOR APPLICANT,
SOUTHWEST PRODUCTION COMPANY

VERITY, BURR & COOLEY
ATTORNEYS AND COUNSELORS AT LAW
SUITE 152 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO

*Case
2446*

GEO. L. VERITY
JOEL B. BURR, JR.
WM. J. COOLEY

October 25, 1961

TELEPHONE 325-1702

NORMAN S. THAYER

Oil Conservation Commission
of New Mexico
Post Office Box 871
Santa Fe, New Mexico

Re: Application of Southwest Production
Company for hearing De Novo in
Case No. 2381

Gentlemen:

From reading the above referenced application you have observed that there are numerous conditions alleged therein which represent a considerable change from the conditions alleged in the original application of Southwest Production Company in the subject case.

In view of the above referenced changes of condition, we have come to the conclusion that the above referenced application for De Novo hearing should more properly be made as an application in a new case.

If you concur in our conclusion, please consider the application for De Novo hearing in case No. 2381 as an application in a new case based upon changes of condition and advertise the same accordingly.

Very truly yours,

VERITY, BURR & COOLEY
Attorneys for Southwest Production
Company

BY

William J. Cooley
William J. Cooley

*Y. Verity
J. Burr
11-16-61
JC/dh*

VERITY, BURR & COOLEY
ATTORNEYS AND COUNSELORS AT LAW
SUITE 152 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO

GEO. L. VERITY
JOEL B. BURR, JR.
WM. J. COOLEY
NORMAN S. THAYER

October 9, 1961

Case 2446

TELEPHONE 323-1702

Mr. A. L. Porter
Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Mr. Porter:

Re: Our file #1320-L
Southwest Production Company's
applications for force pooling

Forwarded herewith is our application on behalf of Southwest Production Company for a de novo hearing in Case No. 2381 which you are hereby requested to set down for hearing before the Commission at the earliest possible date.

As you are probably aware, we have also filed an application on behalf of Southwest Production Company to force pool the same lands as are involved in Case No. 2381 as to the Mesa Verde formation, and another application to force pool the East 1/2 of Section 14, Township 30 North, Range 12 West, N.M.P.M., in San Juan County, New Mexico, as to the Basin-Dakota gas pool. Since two of these applications deal with identical lands and mineral interests, and the third deals with the same general principle, I would suggest that the two new cases be set down for hearing at the same time as our application for de novo hearing in Case No. 2381. I realize that this will impose some additional burden upon the Commission but this matter is of such paramount importance to our client that I feel justified in making this request.

Yours very truly,

VERITY, BURR & COOLEY,

By

William J. Cooley
William J. Cooley

WJC/m
encls

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 29, 1961

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, as alternate examiner:

Cases listed on this docket after Case 2444 will not be heard before 1 P.M.

- CASE 2434: Application of Amerada Petroleum Corporation for a dual completion and a 150-acre non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its State DA Well No. 1 located in Unit L, Section 16, Township 21 South, Range 37 East, Lea County, New Mexico, as a dual completion (conventional) in the Eumont Gas Pool and the Drinkard Pool, with the production of oil from the Drinkard zone to be through a string of 2 3/8-inch tubing and the production of gas from the Eumont zone to be through the tubing-casing annulus. Applicant further seeks the establishment of a 160-acre non-standard gas proration unit in the Eumont Gas Pool, comprising the N/2 S/2 of said Section 16, said unit to be dedicated to said State DA Well No. 1.
- CASE 2435: Application of Cities Service Oil Company for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its Hodges "B" Well No. 3, located in Unit L of Section 1, Township 25 South, Range 37 East, Lea County, New Mexico, as a triple completion (conventional) in undesignated Blinebry and Drinkard pools and in the Fusselman formation adjacent to the North Justis-Fusselman pool, with the production of oil from the Blinebry and Drinkard zones to be through parallel strings of 2 1/16-inch tubing and the production of oil from the Fusselman zone to be through a parallel string of 2 3/8-inch tubing.
- CASE 2436: Application of Hudson & Hudson for two unorthodox oil well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of two unorthodox oil well locations in the Maljamar Pool, one well to be located within 100 feet and not less than 25 feet of the Southeast corner of Unit J, Section 24, Township 17 South, Range 31 East, Eddy County, New Mexico, and one well to be located within 100 feet and not less than 25 feet of the Northwest corner of Unit O in said Section 24.

CASE 2437: Application of J. C. Williamson for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its Westates-Federal Well No. 6, located in Unit D of Section 1, Township 25 South, Range 37 East, Lea County, New Mexico, as a dual completion (conventional) in the McKee and Ellenburger formations with the production of oil from both zones to be through parallel strings of 2 3/8-inch tubing.

CASE 2438: Application of Texaco Inc. for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its V. M. Henderson Well No. 6, located in Unit C of Section 30, Township 21 South, Range 37 East, Lea County, New Mexico, as a triple completion in the Paddock, Blinebry Gas, and Drinkard Pools with the production of oil from the Drinkard formation to be through a tapered string of tubing of 2 1/16-inch and 1 1/4-inch diameter and from the Paddock formation to be through a parallel string of 2 1/16-inch tubing and the production of gas from the Blinebry formation to be through the tubing-casing annulus.

CASE 2421: (Cont.)
Application of Texaco Inc. for approval of a unit agreement and for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Northeast Caprock (Queen) Unit Agreement, covering 1360 acres, more or less, in Township 12 South, Range 32 East, Caprock Queen Pool, Lea County, New Mexico. Applicant further seeks authority to institute a unit-wide waterflood by the injection of water into the Queen formation through 19 wells located within said unit.

CASE 2439: Application of Sunray Mid-Continent Oil Company for a 67.04-acre non-standard oil proration unit and an unorthodox well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of 67.04-acre non-standard oil proration unit in the Totah-Gallup Oil Pool, comprising Lots 2, 3 and 4 of Section 14, Township 29 North, Range 14 West, San Juan County, New Mexico, said unit to be dedicated to a well to be located at an unorthodox location 330 feet from the North line and 2510 feet from the West line of said Section 14.

- CASE 2440: Application of Socony Mobil Oil Company for permission to transfer allowables, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks permission to shut-in the Boulder-Apache Well No. 12-14, located in Section 14, Township 28 North, Range 1 West, Boulder-Mancos Oil Pool, Rio Arriba County, New Mexico, and transfer its allowable to the Boulder-Apache Well No. 23-14 located in said Section 14 for the purpose of conducting interference tests.
- CASE 2441: Application of Water Flood Associated, Inc., for a waterflood project in the Maljamar and Robinson Pools, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a waterflood project in the Maljamar and Robinson Pools in portions of Sections 5, 6 and 7, all in Township 17 South, Range 32 East, Lea County, New Mexico.
- CASE 2442: Application of El Paso Natural Gas Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its Mescalero Ridge Unit Well No. 1, located in Unit D of Section 21, Township 19 South, Range 34 East, Lea County, New Mexico, as a dual completion (conventional) in the Bone Springs and Morrow formations, with the production of oil from the Bone Springs zone to be through a string of 2 3/8-inch tubing and the production of gas from the Morrow zone to be through a parallel string of 2 1/16-inch tubing.
- CASE 2443: Application of Gulf Oil Corporation for an 80-acre non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of an 80-acre non-standard gas proration unit in the Eumont Gas Pool, comprising the E/2 NE/4 of Section 34, Township 19 South, Range 36 East, Lea County, New Mexico, said unit to be dedicated to the J. W. Smith Well No. 2, located 660 feet from the North and East lines of said Section 34.

The following cases will not be heard before 1 P.M.

- CASE 2444: Application of Aztec Oil & Gas Company for an exception to Rule 309-A, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 309-A to permit the Totah-Gallup oil production from three wells on

applicant's Hagood Federal Lease, located in Section 19, Township 29 North, Range 13 West, San Juan County, New Mexico, to be transported prior to measurement on said lease to applicant's Smith "C" Lease, located in Section 18, Township 29 North, Range 13 West.

CASE 2445: Application of Southwest Production Company for an order extending the Flora Vista-Mesaverde Pool, San Juan County, New Mexico, and establishing special rules and regulations in said pool. Applicant, in the above-styled cause, seeks an order extending the Flora Vista-Mesaverde Pool to include Sections 22, 23, 26 and 27, all in Township 30 North, Range 12 West, San Juan County, New Mexico, and establishing special rules and regulations including a provision for 320-acre spacing units in said pool.

CASE 2446: Application of Southwest Production Company for an order pooling all mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico. Interested parties include Roy Rector and O. G. Shelby, both of Flora Vista, New Mexico, and Myron T. Dale, address unknown.

CASE 2416: (Cont.)
Application of Southwest Production Company for an order pooling all mineral interests in an undesignated Mesaverde gas pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico.

CASE 2447: Application of Humble Oil & Refining Company for approval of a pressure maintenance project in the Cha Cha-Gallup Oil Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a pressure maintenance project in the Cha Cha-Gallup Oil Pool by the injection of water into certain wells located on the Navajo Indian Reservation in Sections 13 through 29 and 33 through 36, Township 29 North, Range 14 West, San Juan County, New Mexico. Applicant further seeks the promulgation of special rules and regulations governing said project.

CASE 2448: Application of Pan American Petroleum Corporation for a pressure maintenance project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a pressure maintenance project on its C. J. Holder,

State Holder Oil Unit, State "CA", State Oil Unit and Gallegos Canyon Unit Leases, San Juan County, New Mexico, in the Cha Cha-Gallup Oil Pool with water injection initially to be through five wells located in Sections 8 and 16, Township 28 North, Range 13 West, and Section 23, Township 28 North, Range 12 West, and requests adoption of special rules to govern the operation of said project.

CASE 2449:

Application of Pan American Petroleum Corporation for a pressure maintenance project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a pressure maintenance project on its Navajo Tribal "H" and Gallegos Canyon Unit Leases, San Juan County, New Mexico, in the Totah-Gallup Oil Pool with water injection initially to be through five wells located in Section 35, Township 29 North, Range 13 West, Section 12, Township 28 North, Range 13 West, and Sections 13 and 24, Township 29 North, Range 14 West, and requests adoption of special rules to govern the operation of said project.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 29, 1961

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

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CASE 2416:

(Cont.)

Application of Southwest Production Company for an order pooling all mineral interests in an undesignated Mesaverde gas pool in the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico.

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Application of Humble Oil & Refining Company for approval of a pressure maintenance project in the Cha Cha-Gallup Oil Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a pressure maintenance project in the Cha Cha-Gallup Oil Pool by the injection of water into certain wells located on the Navajo Indian Reservation in Sections 13 through 29 and 33 through 36, Township 29 North, Range 14 West, San Juan County, New Mexico. Applicant further seeks the promulgation of special rules and regulations governing said project.

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Application of Pan American Petroleum Corporation for a pressure maintenance project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a pressure maintenance project on its C. J. Holder,

-5-

Docket No. 32-61

State Holder Oil Unit, State "CA", State Oil Unit and Gallegos Canyon Unit Leases, San Juan County, New Mexico, in the Cha Cha-Gallup Oil Pool with water injection initially to be through five wells located in Sections 8 and 16, Township 28 North, Range 13 West, and Section 23, Township 28 North, Range 12 West, and requests adoption of special rules to govern the operation of said project.

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Application of Pan American Petroleum Corporation for a pressure maintenance project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a pressure maintenance project on its Navajo Tribal "H" and Gallegos Canyon Unit Leases, San Juan County, New Mexico, in the Totah-Gallup Oil Pool with water injection initially to be through five wells located in Section 35, Township 29 North, Range 13 West, Section 12, Township 28 North, Range 13 West, and Sections 13 and 24, Township 29 North, Range 14 West, and requests adoption of special rules to govern the operation of said project.

VERITY, BURR & COOLEY
ATTORNEYS AND COUNSELORS AT LAW
SUITE 152 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO

Case 2416

GEO. L. VERITY
JOEL B. BURR, JR.
WM. J. COOLEY
NORMAN S. THAYER

September 28, 1961

TELEPHONE 325-1702

Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

Re: Our file #1320-L

Application of Southwest Production
Company for an order force pooling
E $\frac{1}{2}$ Sec. 22, T30N, R12W., NMPM., in
San Juan County, New Mexico (as to
Mesa Verde formation)

Enclosed herewith are the original and two copies of South-
west Production Company's application in connection with the
referenced matter.

Yours very truly,

VERITY, BURR & COOLEY,

By *William J. Cooley*
William J. Cooley

WJC/m
3 encls

*Revised
Mailed
10-11-61*

*Revised Mailed
11/16/61
JZ*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THIS 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.

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(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



E. L. Mechem

EDWIN L. MECHEM, Chairman

E. S. Walker

E. S. WALKER, Member

A. L. Porter, Jr.

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

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