

*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.

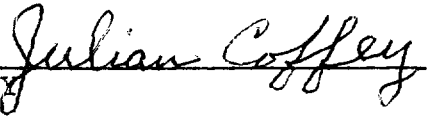
Since this property is being pooled against the will of some of the land-owners in the area, provision should be made in any order entered by the Commission to insure compensation for any surface damage occasioned to the land involved, and the operator should be prevented from locating its equipment,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

JASON W. KELLAHIN
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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

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Case 2446 }
Case 2416 }
Copy in each
Case file