

*Entered January 16, 1956
wpm*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

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

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

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 712 came on for hearing originally on May 19, 1954 before this Commission, at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

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

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

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

Thereafter, on March 17, 1955, at 9:00 a. m., Case No. 712 came on for rehearing and Case No. 852 came on for regular hearing, at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 712 should be considered applicable to Case No. 852.

NOW, on this 12th day of January, 1956, the Commission, a quorum being present, having considered all the evidence, testimony, exhibits and legal arguments and briefs adduced and presented during the course of these two cases, and being fully advised in the premises,

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter covered by the order for rehearing in Case No. 712.

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

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

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

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

6. That the E/2 of Section 3, Township 30 North, Range 10 West NMPM, is situated within the Blanco Mesaverde Gas Pool as designated by the Commission.

7. That applicant, El Paso Natural Gas Company, Delhi Oil Corporation, Atlantic Refining Company, Sunray Oil Corporation, Fred C. Koch, and the Aztec Oil and Gas Company were, on August 14, 1953, the owners of the entire working interest under oil and gas leases covering the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico, containing 320.68 acres of land more or less.

8. That on August 14, 1953, qualified permission was granted by the U. S. Geological Survey to applicant, El Paso Natural Gas Company, to drill a well known as the Koch Pool Unit #1 Well, to be located 1800' from the North line and 890' from the east line of said Section 3, said well to be drilled to the Mesaverde formation; that the E/2 of said Section 3 was designated as the drilling unit; that drilling operations were commenced on said well on August 30, 1953, and the well completed on November 9, 1953, in the Mesaverde formation with an initial potential of 5,550,000 cubic feet of gas per day.

9. That the said working interest owners agreed to communitize their leases; that the evidence before the Commission is that such agreement had been made by May 19, 1954, the date of the first hearing in Case No. 712, no other competent evidence whatsoever being before the Commission as to when communitization was agreed upon and the consolidation of all interests therefore effected; that the Commission therefore finds that the date the said working interest owners consolidated their leases was May 19, 1954.

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

11. That the approval by the United States Geological Survey of the Notice of Intention to Drill, the designation of the E/2 of said Section 3 as a drilling unit, and the agreement entered into by said working interest owners to pool their oil and gas leases covering said acreage, which agreement consolidated all interests therein, effectively established and created said drilling unit on May 19, 1954; that the E/2 of said Section 3 has been, and is, an approved drilling unit containing 320 acres at all times thereafter.

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

IT IS THEREFORE ORDERED:

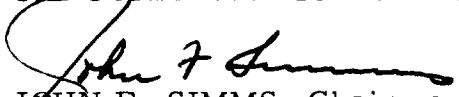
1. That the E/2 of Section 3, Township 30 North, Range 10 West be and is hereby recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null, void, and inoperative from May 19, 1954, it is ordered that in any event all the interests in the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, be and they are hereby, consolidated, and the said acreage be, and the same is hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED: That Order No. R-558, in Case No. 712 be, and the same is, hereby superseded by this order.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN F. SIMMS, Chairman


E. S. WALKER, Member


W. B. MACEY, Member and Secretary

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