

Entered January 16, 1954
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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 THE W/2 OF SECTION 6, TOWN-
SHIP 30 NORTH, RANGE 11 WEST,
NMPM, SAN JUAN COUNTY, NEW
MEXICO.

CASE NO. 706) Consolidated
CASE NO. 846)
Order No. R-560-B

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF W/2 OF
SECTION 6, TOWNSHIP 30 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
328.17 ACRES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 706 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-560 in Case No. 706 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that the W/2 of Section 6, Township 30 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from August 3, 1953.

Thereafter, on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. R-560-A on January 14, 1955, setting Case No. 706 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 846.

Thereafter, on March 17, 1955, at 9:00 a. m., Case No. 706 came on for rehearing and Case No. 846 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. 706 should be considered applicable to Case No. 846.

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. 706.

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

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

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

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

6. That the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.

7. That applicant, El Paso Natural Gas Company, and Delhi Oil Corporation were, on March 23, 1953, the owners of the entire working interest and operating rights under oil and gas leases covering the W/2 of said Section 6, containing 328.17 acres of land, in the shape of a rectangle, said Section 6 being an irregular section containing more than 640 acres of land.

8. That a Pictured Cliffs well was commenced on the NW/4 of Section 6, Township 30 North, Range 11 West, NMPM, pursuant to approval of a Notice of Intention to Drill, which approval was granted March 23, 1953; and that, the Pictured Cliffs formation having proved dry, application was made to the Commission for approval of an unorthodox location and the designation of the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, as a location for a Mesaverde well; that on August 3, 1953, the Commission approved such unorthodox location and approved the designation of the drilling unit, and that on August 31, 1953, drilling operations were resumed; that a well was completed in the Mesaverde formation on September 20, 1953, with an initial potential of 686,000 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. 706, no other competent evidence whatsoever being before the Commission as to when communitization was agreed upon and the consolidation of all interests therefore effected; that the Commission therefore finds that the date El Paso Natural Gas Company and Delhi Oil Corporation 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 Commission of the unorthodox location, the designation of the W/2 of Section 6, Township 30 North, Range 11 West, 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 W/2 of said Section 6 has been, and is, an approved drilling unit containing 328.17 acres at all times thereafter.

12. That the drilling of an additional well or wells lying within the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

1. That the W/2 of Section 6, Township 30 North, Range 11 West be, and is hereby, recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

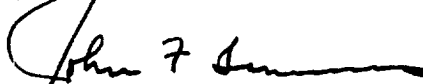
2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null, void, and inoperative from May 19, 1954, it is ordered that in any event all the interests in the W/2 of Section 6, Township 30 North, Range 11 West be, and they are hereby, consolidated, and that the said acreage be, and the same is hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED:

That Order No. R-560, in Case No. 706 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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