

*Entered May 3, 1956
L.J.*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

IN THE MATTER OF THE APPLICATION
OF SAUL A. YAGER, ET AL FOR THE
COMPULSORY POOLING OF THE NW/4
NW/4 OF SECTION 15, TOWNSHIP 32
NORTH, RANGE 10 WEST, SAN JUAN
COUNTY, NEW MEXICO, WITH THE
SW/4, THE S/2 NW/4, AND NE/4 NW/4
OF SECTION 15, TOWNSHIP 32 NORTH,
RANGE 10 WEST, SAN JUAN COUNTY,
NEW MEXICO.

CASES NO. 1000) Consolidated
1001)

Order No. R-795

IN THE MATTER OF THE APPLICATION
OF EL PASO NATURAL GAS COMPANY
FOR AN UNORTHODOX SPACING UNIT
AND GAS PRORATION UNIT CONSISTING
OF 277 ACRES, LOCATED IN W/2 OF
SECTION 15, TOWNSHIP 32 NORTH,
RANGE 10 WEST, NMPM, OR IN THE
ALTERNATIVE, FOR COMPULSORY
POOLING OF THE W/2 SECTION 15,
TOWNSHIP 32 NORTH, RANGE 10 WEST,
NMPM.

ORDER OF THE COMMISSION

BY THE COMMISSION:

These causes came on for hearing at 9 o'clock a.m. on January 19 and again at 9 o'clock on January 20, 1956, before the Oil Conservation Commission, hereinafter referred to as the "Commission", at which time upon stipulation of the parties, the two cases were consolidated for the purposes of hearing and any review or appeal therefrom.

NOW, on this 27th day of April 1956, the Commission, a quorum being present, having considered the record, evidence, and testimony adduced, and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of these cases and the subject matter thereof.

(2) That applicants Saul A. Yager, et al, in Case No. 1000, are the owners of all the oil and gas and other minerals underlying the NW/4 NW/4 of Section 15, Township 32 North, Range 10 West, San Juan County, New Mexico, said mineral interest being unleased and constituting 40 acres.

(3) That applicant, El Paso Natural Gas Company in Case No. 1001, hereinafter referred to as "El Paso" is the owner of three oil and gas leases in the W/2 of Section 15, Township 32 North, Range 10 West, NMPM, said leases totalling approximately 174 acres, and the location of said leased acreage being more particularly shown on said applicant's Exhibit "A" accompanying its application in Case No. 1001, which is a portion of the record herein.

(4) That Pacific Northwest Pipeline Corporation, hereinafter referred to as "Pacific", is the owner and holder of leasehold rights or operating rights under four oil and gas leases in the W/2 of Section 15, Township 32 North, Range 10 West, NMPM, said leases totalling approximately 103 acres, and the location of said acreage being more particularly shown on El Paso's Exhibit "A" accompanying its application in Case No. 1001, which is a portion of the record herein.

(5) That Mr. Dave Clark is the owner of all the oil, gas, and other minerals underlying 3 acres of land in the NE/4 SW/4 of said Section 15, the location of said acreage being more particularly shown on El Paso's Exhibit "A", accompanying its application in Case No. 1001, which is a portion of the record herein.

(6) That El Paso desires to drill a well to the Mesaverde formation in the SW/4 of said Section 15, in accordance with the spacing pattern for wells in Blanco-Mesaverde Pool as provided by Order R-110, that Pacific is willing to, and has agreed to, communitize its acreage with that of El Paso, and to pay its proportionate share of the costs in drilling said well and developing the W/2 of said Section 15.

(7) That the Yager Group is willing to communitize its acreage with that of El Paso and Pacific to form a drilling and proration unit consisting of the W/2 of said Section 15, but is unwilling to pay its share of the drilling costs in cash, proposing instead that their proportionate share of the drilling costs be taken out of the production attributable to the 7/8's working interest of the said 40 acre tract owned by the Yager Group.

(8) That the said Dave Clark is unwilling to communitize his said 3 acres with other acreage in the W/2 of Section 15.

(9) That the said Dave Clark, although duly given notice of the hearing of these cases, was not present at the hearing herein, nor has he entered any appearance or pleading in either of these proceedings; the said Clark has given no indication, evidenced no intention, or made no application to the effect, that he desires to drill on his separate 3-acre tract in accordance with Section 3 (a) of Order R-110 or paragraph c of Sec. 65-3-14, NMSA, 1953 comp.

(10) That the drilling of a separate well on said 3-acre tract belonging to Dave Clark would constitute the drilling of an unnecessary well.

(11) That one well drilled in the W/2 of said Section 15 to the Mesaverde formation would efficiently and economically drain the entire 320 acres.

(12) That the entire W/2 of said Section 15 can reasonably be presumed to be productive of gas from the Mesaverde formation.

(13) That the compulsory communitization of all the acreage in the W/2 of said Section 15 is necessary to enable each owner therein an opportunity to recover its just and equitable share of the reservoir energy in the Blanco-Mesaverde formation.

(14) That according to evidence before the Commission in these cases, the cost of drilling, completing and equipping a well in the W/2 of said Section 15, to be completed in the Mesaverde formation, will be \$65,000, including reasonable supervisory costs.

(15) That each of the owners of acreage in said W/2 of Section 15 should share in such costs, on terms which take into consideration the proportionate acreage owned by each and the risk, or lack of risk, each party is to assume or avoid.

IT IS THEREFORE ORDERED:

1. That all of the interests of all parties in the W/2 of Section 15, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico be, and the same are, hereby pooled and communitized by this order, and the said W/2 of Section 15 is hereby recognized as a pooled and communitized tract in the Blanco-Mesaverde Pool in San Juan County, New Mexico.

2. That the applicant El Paso be, and is hereby, permitted and authorized to drill a well in the SW/4 of said Section 15, by complying with the terms and provisions of Order R-110.

3. That, for the purposes of this order, the sum of \$65,000 is fixed as the cost of drilling, completing, and equipping a well to said common source of supply, said figure including reasonable costs of supervision.

4. That upon completion of said well the applicant El Paso shall submit to the Commission a verified statement of actual costs incurred, the Commission reserving jurisdiction to redetermine the cost of such well in the case of any dispute.

5. That the basic proportions of the cost of drilling, completion and equipping the said well to be drilled by El Paso shall be borne as follows: El Paso Natural Gas Company - 174,
320
Pacific Northwest Pipeline Corporation - 103, the Yager Group -
320
40 and Dave Clark - 3 .
320 320

6. That Pacific Northwest, the Yager Group, and Dave Clark shall pay their share of costs of El Paso by either one of the two following methods:

- (a) They shall each pay their basic proportionate share of costs, or furnish a sufficient guarantee of said payment, to El Paso within fifteen days from the date of this order, said payment insuring to each said party its same proportionate share of the working interest in said well.
- (b) That the said parties shall be permitted to wait the outcome of the drilling, and if production is found in the Mesa-verde formation, El Paso shall be permitted to withhold the proceeds (1) from the proportionate share of the working interest production of Pacific Northwest from said well, and (2) from the proportionate share of 8/8 production of the Yager Group and Dave Clark from said well, until such time as the applicant is reimbursed in the amount of 125 percent of such parties' basic proportionate share of the well costs, after which time the said parties shall receive their proportionate share in the working interest in said well.

7. That Pacific Northwest, the Yager Group, and Dave Clark are hereby required to make an election within 15 days of the date of this order as to which method they desire to pursue in the payment of their share of costs, said election to be in writing, addressed to the main office of El Paso Natural Gas Company in El Paso, Texas, with a copy to the offices of this Commission in Santa Fe, New Mexico.

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


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

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