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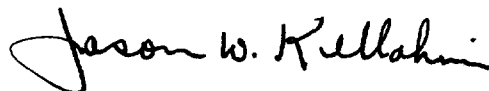
Oil Conservation Commission
State of New Mexico
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

Enclosed are three copies of the application of Samedan Oil Corporation for a rehearing in Case No. 1327, seeking reconsideration of Order No. R-1092-A as said Order pertains to the inclusion of a deliverability factor in the proration formula for the Jalmat Gas Pool, Lea County, New Mexico.

Please acknowledge receipt of this application on the attached copy of this letter and return it to me.

Very truly yours,



Jason W. Kellahin

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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 THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 1327
Order No. R-1092-A

APPLICATION OF TEXAS PACIFIC COAL &
OIL COMPANY FOR AN ORDER IMMEDIATELY
TERMINATING GAS PRORATIONING IN
THE JALMAT GAS POOL; OR IN THE ALTER-
NATIVE, REVISING THE SPECIAL RULES AND
REGULATIONS FOR THE JALMAT GAS POOL IN
LEA COUNTY, NEW MEXICO.

APPLICATION FOR REHEARING

Comes now SAMEDAN OIL CORPORATION, a Delaware corporation
duly authorized to transact business in the State of New Mexico,
hereinafter sometimes referred to as "applicant", and applies
for a rehearing in the above entitled and numbered case and in
support thereof would show the New Mexico Oil Conservation Com-
mission, hereinafter referred to as "Commission", the following:

1. That this applicant owns and operates oil and gas
leases and gas wells in Southeastern New Mexico and is an oper-
ator in the defined limits of the Jalmat Gas Pool in Lea County,
New Mexico.

2. That this applicant participated in the hearings on the
application of Texas Pacific Coal & Oil Company in the above
designated case and as an operator in the Jalmat Gas Pool is
affected by Order No. R-1092-A entered by the Commission under
date of January 29, 1958.

3. That this applicant believes and therefore states the
fact to be that Order No. R-1092-A is erroneous, illegal and is
invalid, and that by reason thereof a rehearing is requested in

respect to that portion of said Order which provides that effective July 1, 1958, a deliverability factor shall be included in the gas proration formula of the Jalmat Gas Pool and the succeeding portions of said Order carrying into effect the decision of the Commission that deliverability shall be included in the proration formula subsequent to July 1, 1958, and as grounds therefore states:

a) That the application of Texas Pacific Coal & Oil Company in Case No. 1327, to the extent that it sought the inclusion of a deliverability factor in the proration formula of the Jalmat Gas Pool, constituted a collateral attack on Order No. R-520 in Case No. 673 of this Commission, entered on the 12th day of August, 1954, and therefore should not have been entertained by the Commission and cannot be made the basis of a valid order in Case No. 1327 in so far as the inclusion of deliverability in the proration formula is concerned.

b) That said Order No. R-1092-A, in so far as it attempts to revise and change the existing allocation formula for the Jalmat Gas Pool as provided in Commission Order No. R-520, as amended, and particularly paragraph (3) of said Order No. R-1092-A in so far as it purports to revise Rule 6 of the Special Rules and Regulations for the Jalmat Gas Pool is so vague, indefinite and uncertain as to leave this applicant without notice as to the effect of said order, and that by reason of said vague, indefinite and uncertain provisions, said order No. R-1092-A is invalid and void.

c) That the evidence introduced in Case No. 1327 provides no basis upon which a valid order could be entered by the Commission changing the basis for the allocation of production from 100% acreage basis to the basis provided in Order No. R-1092-A

for the Jalmat Gas Pool for the reason that Order No. R-520 in Case No. 673 constituted a final determination that deliverability should not be included in the proration formula of the Jalmat Gas Pool. The applicant Texas Pacific Coal & Oil Company and this applicant, Samedan Oil Corporation, were parties to and actively participated in hearings in Case No. 673 in which the inclusion of deliverability as a factor in the proration formula was presented to and considered by the Commission, and Order No. R-520 was entered denying the inclusion of deliverability in said formula. No appeal was taken from this final determination by the Commission in Case No. 673 and on the basis of the record in this case, No. 1327, the Commission is without authority to modify or change the decision so reached in Case No. 673.

d) That the inclusion of deliverability as a factor in the Jalmat Gas Pool proration formula as provided by Order No. R-1092-A is predicated on a finding by the Commission "that the applicant has proved that there is a general correlation between the deliverabilities of the gas wells in the Jalmat Gas Pool and the gas in place under the tracts dedicated to said wells." This finding is contrary to and wholly without support in the evidence and is therefore invalid and void, and this applicant alleges the fact to be that no such correlation exists, as shown by the evidence received by the Commission.

e) That even though it be assumed that the finding that "there is a general correlation between the deliverabilities of the gas wells in the Jalmat Gas Pool and the gas in place under the tracts dedicated to said wells" is true, said finding provides no basis authorized by statute for modification of the pre-existing acreage formula for proration of gas produced from said pool.

f) That in entering said Order No. R-1092-A, the Commission made none of the findings required by statute in support of inclusion of a deliverability factor in the formula for the proration of gas production in the Jalmat Gas Pool, and instead based its Order No. R-1092-A on (1) a finding that the inclusion of a deliverability factor in the proration formula would result in the production of a greater percentage of the pool allowable, and (2) that such inclusion of a deliverability factor would more nearly enable various gas purchasers to meet the market demand for gas in the Jalmat Gas Pool. Neither of said considerations provides any legal basis for the allocation of production or institution of a proration formula under the statutes of New Mexico.

g) That Order No. R-1092-A will result in economic waste in that it will require the expenditure of large sums of money by the operators in said pool to increase the deliverability of gas wells in an effort to protect themselves against drainage, without any appreciable increase in the ultimate recovery of gas from the pool.

h) That Order No. R-1092-A will result in underground waste in that many of the wells in the Jalmat Gas Pool have been completed for many years and their condition is such that the action required in reworking wells will necessarily result in underground waste of natural gas, or an abuse of correlative rights of the owners of said wells, or both.

i) That the Order No. R-1092-A is invalid in that the Commission would have authority to change its existing proration order for the Jalmat Gas Pool only upon proof by the applicant in this case, Texas Pacific Coal & Oil Company, by a preponderance of the evidence, that either (1) waste would be reduced or eliminated, or (2) correlative rights of the owners in the

Jalmat Gas Pool would be protected to a greater degree by the inclusion of deliverability as a factor in said proration formula. The burden of proof so assumed by Texas Pacific Coal & Oil Company as such applicant was not discharged by it.

j) That Order No. R-1092-A fails to protect the correlative rights of operators within the Jalmat Gas Pool, but instead impairs the correlative rights of operators in the pool in that it will permit production of gas underlying offsetting tracts without affording compensating counter-drainage, and without affording each operator the opportunity to produce his just and equitable share of the gas underlying his lands, as required by law.

k) That Order No. R-1092-A is unreasonable, arbitrary and discriminatory and the effect of said order is to confiscate and deprive this applicant of its property without due process of law contrary to and in violation of the Fourteenth Amendment to the Constitution of the United States and of Article II, Section 18 of the Constitution of the State of New Mexico.

WHEREFORE, applicant Samedan Oil Corporation prays that this application for rehearing be granted for the purpose of reconsidering that portion of Order No. R-1092-A providing for the inclusion of a deliverability factor in the allocation formula of the Jalmat Gas Pool effective July 1, 1958, and that after notice as required by law, and upon rehearing, the Commission modify said Order R-1092-A by striking and removing therefrom each and every erroneous and invalid finding referred to hereinabove and each and every provision of said order relating to the inclusion of a deliverability factor in the gas proration formula for the Jalmat Gas Pool, and in lieu thereof, enter its order denying the application of Texas Pacific Coal & Oil Company in Case No. 1327 in its entirety.

Respectfully submitted,

SAMEDAN OIL CORPORATION

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