

SINCLAIR OIL & GAS COMPANY

PETROLEUM LIFE BUILDING

MIDLAND, TEXAS

LEGAL DEPARTMENT

February 15, 1958

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

Attention: Mr. A. L. Porter, Jr.

Re: Case No. 1327, Order No. R-1092-A

Application of Texas Pacific Coal
and Oil Company for an order
immediately terminating gas prorationing
in the Jalmat Gas Pool; or in the
alternative, revising the special
rules and regulations for the Jalmat
Gas Pool in Lea County, New Mexico.

Gentlemen:

Enclosed is application of Sinclair Oil & Gas Company
for rehearing in the above case.

Yours very truly,



Layton A. Webb
Division Attorney

LAW/id
Encls.

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 AND
OIL COMPANY FOR AN ORDER IMMEDIATELY
TERMINATING GAS PRORATIONING IN THE
JALMAT GAS POOL; OR IN THE ALTERNATIVE,
REVISING THE SPECIAL RULES AND
REGULATIONS FOR THE JALMAT GAS POOL
IN LEA COUNTY, NEW MEXICO.

APPLICATION FOR RE-HEARING

SINCLAIR OIL & GAS COMPANY, a Maine corporation with
offices at Midland, Texas, hereby requests that a re-hearing
in the above styled and numbered case be granted and in
support thereof shows:

1.

That Applicant Sinclair Oil & Gas Company is a corporation duly incorporated and existing under the laws of the State of Maine, with a valid and subsisting permit to do business in the State of New Mexico.

2.

That Applicant owns and operates oil and gas leases and gas wells within the limits of the Jalmat Gas Pool in Lea County, New Mexico.

3.

That Applicant participated in and presented testimony to the Commission in the hearings on the application of Texas Pacific Coal and Oil Company in the above styled and numbered case and that as an operator in the Jalmat Gas Pool it is affected by Order No. R-1092-A entered by the Commission under date of January 29, 1958.

4.

That Applicant believes and therefore alleges that Order No. R-1092-A aforesaid was erroneous and illegal and

is invalid 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 therefor states:

(a) The application of Texas Pacific Coal and 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 upon Order No. R-520 in Case No. 6731 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 insofar as the inclusion of deliverability in the proration formula is concerned.

(b) The evidence introduced in this proceeding provides no basis upon which a valid order could be entered by the Commission changing the basis for the allocation of production from the Jalmat Gas Pool from a 100% acreage basis to the basis provided in Order No. R-1092-A for the reason that Order No. R-520 entered by this Commission in Case No. 673 constituted a final determination that deliverability should not be included in the proration formula of the Jalmat Gas Pool. Texas Pacific Coal and Oil Company was a party in Case No. 673 and supported the inclusion of deliverability in the proration formula, which request was considered by the Commission, and Order No. R-520 was entered denying the request of said Texas Pacific Coal and Oil Company for the inclusion of deliverability in said formula. No appeal was taken by Texas Pacific Coal and Oil Company from the final decision of the Commission so ordered. On the basis of the record in this case, the Commission is without authority to modify or change the decision so reached in Case No. 673.

(c) The order of the Commission is invalid in that it disturbs and injures vested property rights of this applicant. Subsequent to August 12, 1954 this applicant, in reliance upon Order No. R-520 entered by this Commission on that date, has completed four wells in the Jalmat Gas Pool and in so doing has expended considerable sums of money. To the extent that Order No. R-1092-A attempts to change or modify the basis for the allocation of production from these wells in the Jalmat Gas Pool from that provided in Order No. R-520, it irreparably damages this applicant's property rights which became vested under Order No. R-520 and is, therefore, unlawful and invalid. In addition, the evidence in this case shows that the Jalmat Gas Pool is almost completely developed and in its intermediate stage of depletion. To change the basis of the allocation of production at this time, after large sums of money have been expended on the basis of a predicted ultimate recovery of gas under the existing formula, is inequitable and unjust.

(d) The inclusion of deliverability in the Jalmat Gas Pool proration formula as ordered by Order No. R-1092-A is predicated on a finding by this 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". Applicant respectfully alleges that this finding of the Commission is contrary to, and wholly without support in, the evidence and is therefore invalid and void. In further support of the grounds here alleged, Applicant attaches hereto as Exhibit "A" a vertical bar graph depicting the relationship between the recoverable gas in place under the 58 tracts which were the subject of testimony and exhibits presented by this applicant and other operators before the Commission on December 9, 1957, and the deliverability of the 58 gas wells located on said tracts. Said exhibit is based upon the

testimony in the record in this case and clearly demonstrates the total absence of correlation between the deliverabilities of gas wells in the Jalmat Gas Pool and gas in place under the tracts dedicated to said wells. If afforded an opportunity to do so, Applicant will present further evidence in this regard but asserts that on the evidence heard by the Commission it is clearly shown that no such correlation exists.

(e) The order of the Commission is invalid in that even though it be assumed that as found by the Commission it has been 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" said finding provides no basis authorized by the statutes of New Mexico for modification of the pre-existing acreage formula for proration of gas produced from said pool.

(f) That the Commission has considered factors not permitted by the statutes of New Mexico in arriving at its decision which was the basis of Order No. R-1092-A. It is apparent from said order that it was predicated in part upon, (1) a finding that the inclusion of a deliverability factor in the ^JJalmat proration formula would result in the production of a greater percentage of the pool allowable, and (2) that it 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 under the statutes of New Mexico.

(g) The order of the Commission results in economic waste in that it will require the expenditure of more than Sixty Thousand Dollars (\$60,000.00) by this applicant to increase the deliverability of its gas wells if it is to protect its correlative rights, although the ultimate recovery from the tracts operated by this applicant will not be appreciably increased thereby.

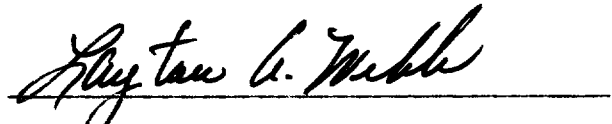
(h) The order of the Commission will result in underground waste in that many of the wells in the Jalmat Gas Pool have been completed for some ten to twenty years and their condition is such that the action required of a prudent operator under the order of the Commission will necessarily result in the underground waste of natural gas and the abuse of correlative rights of the owners of many of said wells.

(i) Order No. R-1092-A results in irreparable injury to the correlative rights of applicant and deprives this applicant of its property without due process of law in that it will permit production by offset operators of natural gas underlying the tracts owned by this applicant without affording compensating counter-drainage from other adjoining tracts, and will prevent this applicant from producing the recoverable gas in place in the Jalmat Pool underlying the tract upon which the wells of applicant are located.

(j) In the alternative and not waiving but still insisting upon the grounds asserted in sub-paragraphs (a) to (i) inclusive above, this applicant alleges that the order of the Commission is invalid in that the Commission would have authority to change its existing proration order for the Jalmat Gas Pool only upon the proof by the Applicant Texas Pacific Coal and Oil Company in this case, by a preponderance of the evidence, either that waste would be reduced or eliminated or that correlative rights of the owners in the Jalmat Pool would be protected to a greater degree by the inclusion of deliverability in said proration formula. The burden of proof so assumed by Texas Pacific Coal and Oil Company was not discharged by it.

WHEREFORE, Applicant prays the Commission that a re-hearing be granted in the above styled and numbered case as to that portion of the Order and decision of the Commission providing for the inclusion of a deliverability factor in the

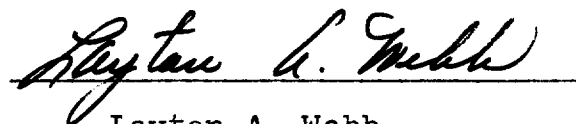
allocation formula of the Jalmat Gas Pool subsequent to July 1, 1958.



Layton A. Webb
P. O. Box 1470
Midland, Texas

ATTORNEY FOR APPLICANT
SINCLAIR OIL & GAS COMPANY

A true and correct copy of the above and foregoing application for re-hearing has this 15th day of February, 1958, been forwarded by registered mail to Jack M. Campbell, attorney of record for Texas Pacific Coal and Oil Company, the appellant in the above styled and numbered case.



Layton A. Webb