

RECEIVED  
NOV 11 1958

R. W. SULLIVAN  
ATTORNEY AT LAW  
1512 MILE HIGH CENTER  
DENVER 2, COLORADO  
—  
ACOMA 2-4910 - ACOMA 2-2263



ASSOCIATED IN FEDERAL MATTERS WITH  
LEE, TOOMEY & KENT  
1200 EIGHTEENTH STREET, N. W.  
WASHINGTON 6, D. C.

Case 1562

November 5, 1958

Mr. A. L. Porter, Jr., Secretary-Director  
New Mexico Oil Conservation Commission  
State Capitol  
Santa Fe, New Mexico

Dear Mr. Porter:

Enclosed in triplicate is an Application by The British-American Oil Producing Company, requesting an order permitting the conversion of certain wells to injection wells and a secondary recovery project in the Bisti-Lower Gallup Oil Pool, San Juan County, New Mexico. Will you please accept these for filing.

Associated with me in this matter as New Mexico resident counsel are Hervey, Dow and Hinkle, Attorneys at Law, Roswell, New Mexico.

Yours very truly,



RWS:FA  
Enclosures

RECEIVED  
NOV 11 1958

*rec'd am  
12-15-58*

*file  
case 1562*

MODESITT AND SULLIVAN  
ATTORNEYS AT LAW  
MILE HIGH CENTER  
DENVER 2, COLORADO  
CHERRY 4-8679

LELAND E. MODESITT  
ROBERT W. SULLIVAN

ASSOCIATED IN  
FEDERAL MATTERS WITH  
LEE, TOOMEY & KENT  
1200 18TH STREET, N.W.  
WASHINGTON 6, D. C.

December 12, 1958

Oil Conservation Commission  
State of New Mexico  
107 Mabry Hall, Capitol Building  
Santa Fe, New Mexico

Attention: Mr. D. S. Nutter, Examiner

Re: Case No. 1562

Gentlemen:

During the course of the Examiner Hearing held in Case 1562 on December 10, 1958, applicant, The British-American Oil Producing Company, was requested by the Examiner, to furnish a statement of ownership including overriding royalties of the leases covering the lands included in applicant's application in this case. This request was made in connection with applicant's request that field rules be promulgated which would include permission to transfer allowables from wells shut in in connection with the injection project to a lease other than that on which the shut-in wells are located.

In compliance with the request of the Examiner, applicant submits the following information:

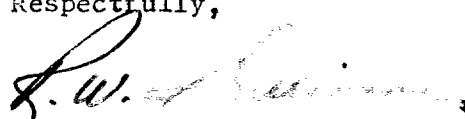
- (a) All of the lands included in applicant's application in this case are owned by the United States.
- (b) Applicant is the owner of the entire leasehold interest on the lands included in applicant's application in this case.
- (c) Overriding royalties on the lands included in applicant's application in this case are as follows:

<u>Township 26 North, Range 13 West</u>	)	
Sections 27, 28, 29, W <sub>2</sub> <sup>1</sup> 32	)	$\frac{1}{2}\%$ J. F. Fritz
	)	$\frac{1}{2}\%$ Mary Sue Douthit
<u>Township 26 North, Range 13 West</u>	)	
	)	
Sections 33 and 34	)	
	)	1% H. J. Salge
<u>Township 25 North, Range 13 West</u>	)	
	)	
Sections 3 and 4	)	
<u>Township 26 North, Range 13 West</u>	)	
	)	
Section 35	)	
	)	1% M. B. Marye, et ux.
<u>Township 25 North, Range 13 West</u>	)	
	)	
Section 1	)	

As I stated at the hearing, it is my opinion that the varying ownerships of overriding royalties among the leases as to which the transfer of allowables was requested should not be deemed by the Commission a factor material to granting this permission. Assuming that otherwise the transfer of allowables is justified and that no suggestion is made that the correlative rights of an overriding royalty owner or other owners will be abused by drainage across lease lines as a result of transfer of allowables, the position of the overriding royalty owner from whose tract the allowable would be transferred is not affected by the transfer. The lessee of the tract is primarily responsible for the efficient and proper development and operation of the tract, subject, of course, to the control of the Commission. If the secondary recovery program will contribute to a diminution of waste and increase ultimate recovery, particularly from the tract from which it is proposed that allowables will be transferred, the overriding royalty owner on such tract gains proportionately as the ultimate recovery therefrom is enhanced, even though his current income from the tract may be reduced.

I give the foregoing explanation in support of my statement made at the hearing on December 10, 1958, since I made no elaboration on my position at the hearing. I trust that this brief explanation will help to clarify and fortify my statement made at the hearing that I felt that differences of overriding royalty ownerships were not a relevant factor in determining whether the transfer of allowables across lease lines should be permitted.

Respectfully,



R. W. Sullivan, Attorney for

THE BRITISH-AMERICAN OIL PRODUCING COMPANY,  
Applicant

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

P.O. Box 871  
Santa Fe, New Mexico  
January 7, 1959

C  
Mr. S. B. Christy  
Hervey, Dow & Hinkle  
P.O. Box 547  
Roswell, New Mexico

O  
Dear Mr. Christy:

Enclosed herewith please find Order No. R-1316, entered by the Commission in Case No. 1562 December 31, 1958.

P  
You will note that the order authorizes British American Oil Producing Company to institute a gas injection project in the Bisti-Lower Gallup Oil Pool and to convert a producing oil well to gas injection, effective immediately. You will also note that the order defines a project area for the gas injection project and promulgates special rules for the operation of said project, effective February 1, 1959.

Y  
We are also enclosing a copy of the Gas Injection Project Operator's Monthly Report, required to be filed monthly under the terms of the subject order. A supply of these forms will be available for your use within a few days.

The above report is to be filed each month within three days after the normal unit allowable for Northwest New Mexico has been established. Its purpose is primarily to ascertain the amount of allowable which is to be assigned each well in the project area during the following month based on the project's performance during the preceding month. For example, the report which is filed in February will be to assign the allowable for March and will contain production data for January.

It will be necessary to take gas-oil ratio tests on each producing well in the project each month with the results of said tests included in the data submitted on the monthly report. The gas-oil ratios need not be filed on the regular gas-oil ratio test report (Form C-116) except during the normal testing period prescribed by the Commission for the Bisti Pool. No tests will be required on wells which are shut-in or have been converted to gas injection.

Mr. S. B. Christy  
Roswell, New Mexico

January 7, 1959

Inasmuch as the monthly report embodies substantially all of the data normally reported on Form C-120 for injection projects, this latter form will not be required. You are, therefore, exempt from that portion of Rule 704 which pertains to Form C-120.

Very truly yours,

A. L. Porter, Jr.  
Secretary - Director

ALP/DSN:bp  
Encls.

CC-~~Emery~~ Arnold, OCC, Aztec