

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:

CASE No. 2446
Order No. R-2068-B

APPLICATION OF SOUTHWEST PRODUCTION
COMPANY FOR AN ORDER POOLING A 320-
ACRE GAS PRORATION UNIT IN THE BASIN-
DAKOTA GAS POOL, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on February 14, 1962, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 18th day of April, 1962, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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 this cause and the subject matter thereof.

(2) That the applicant, Southwest Production Company, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 22, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico.

(3) That the applicant has made diligent effort to identify and to locate all owners of interest in the proposed proration unit.

(4) That the applicant has made fair and reasonable offers to lease, to obtain quitclaim deeds, or to communitize with respect to each non-consenting interest owner whose identity and address is known.

(5) That although the applicant has made fair and reasonable offers and has been diligent in its efforts to form the proposed proration unit, there remain non-consenting interest owners in the subject proration unit who have not agreed to the pooling of their interests.

(6) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the Basin-Dakota Gas Pool, the subject application should be approved by pooling all interests, whatever they may be, within said unit.

(7) That the applicant proposes to dedicate the subject proration unit to its Ollie Sullivan Well No. 1 located in the NE/4 NE/4 of said Section 22, which well has been completed in the Basin-Dakota Gas Pool.

(8) That the applicant seeks permission to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of the costs of said well have been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well, plus 10 percent thereof as a charge for operating costs.

(9) That the applicant should be authorized to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of the costs of said well have been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(10) That it is improper for operating costs to be assessed as a percentage of well costs; accordingly, \$75.00 per month should be fixed as the cost of operating the subject well, and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.

(11) That the applicant should furnish the Commission and each known non-consenting working interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of this order.

(12) That any non-consenting working interest owner should be afforded the opportunity to pay his share of well costs within 30 days from the date the schedule of well costs is furnished him by the applicant in lieu of paying his share of costs out of production.

(13) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership.

(14) That Southwest Production Company should be designated the operator of said unit.

(15) That Order No. R-2068-A, previously entered in this case on December 21, 1961, should be superseded.