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WESTERN UNION

TELEGRAM

W. P. MARSHALL, PRESIDENT

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W B MACEY, OIL CONSERVATION COMMISSION=

CAPITOL ANNEX BLDG SANTAFE NMEX=

RE: CASE #1,0001 WHICH IS TO BE HEARD BEFORE THE OIL CONSERVATION COMMISSION THIS MORNING.

PACIFIC NORTHWEST PIPELINE CORPORATION ON SEPTEMBER 6, 1955 AGREED WITH EL PASO NATURAL GAS COMPANY TO JOIN IN COMMUNITIZING AND DEVELOPING THE WEST HALF SECTION 15, TOWNSHIP 32 NORTH, RANGE 10 WEST, SAN JUAN COUNTY. PACIFIC ALSO AGREED TO BEAR ITS PROPORTIONATE SHARE OF DEVELOPMENT COST=

R N RICHEY PACIFIC NORTHWEST PIPELINE CORP=

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OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

May 2, 1956

Mr. Jack Campbell
Campbell & Russell
P.O. Box 721
Roswell, New Mexico

Dear Sir:

We enclose a copy of Order R-795 issued April 27, 1956, by the Oil Conservation Commission in Cases 1000 and 1001 which were heard on January 19th and 20th.

Very truly yours,

A. L. Porter, Jr.
Acting Secretary - Director

ALP:brp
Encl.

C
O
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Y

Case File

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

November 6, 1956

C
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Y

Mr. Dave M. Clark
1828 Deafsmith Street
Vernon, Texas

Dear Sir:

This will acknowledge receipt of your letter of October 29, 1956. In this letter you stated that you did not receive legal notice of the hearing which resulted in the pooling of your three acres in the NE/4 SW/4 of Section 15, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico.

Under our statute and the Commission's Rules and Regulations, notice may be given by personal service or by publication. Said notice must be made at least ten days before the hearing. It is the policy of the Commission to, in most cases, give notice to all interested parties by publication. This was done in the case involving your acreage. The letter which was sent to you notifying you of the hearing was not considered by the Commission as official notice, but rather as a matter of courtesy by the Commission. This practice is also followed in most instances.

As there was no petition for rehearing or appeal made by you within the statutory time, this order, by law, must remain in full force and effect.

We would like to call your attention to paragraph 1 of the order which states, in effect, that all of the pooled and communitized land is recognized as a pooled and communitized tract in the Blanco Mesaverde

-2-

Mr. Dave M. Clark
November 6, 1956

Pool only.

If we may be of any further assistance, please do not
hesitate to call upon us.

Very truly yours,

A. L. Porter, Jr.
Secretary-Director

jh

1001

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF EL)
PASO NATURAL GAS COMPANY FOR AN UN-)
ORTHODOX SPACING UNIT AND GAS PRODUCTION)
UNIT CONSISTING OF 277 ACRES, LOCATED)
IN THE W/2 OF SECTION 15, TOWNSHIP 32)
NORTH, RANGE 10 WEST, N.M.P.M., OR IN)
THE ALTERNATIVE, FOR COMPULSORY POOLING)
OF THE W/2 OF SECTION 15, TOWNSHIP 32)
NORTH, RANGE 10 WEST, N.M.P.M.)

NO. _____

TO THE HONORABLE COMMISSION:

Your Applicant, EL PASO NATURAL GAS COMPANY, represents that it is a Delaware corporation, with a permit to do business in the State of New Mexico, and that it is the present owner and holder of leasehold rights or operating rights under the following described Oil and Gas Leases, embracing lands located in the W/2 of Section 15, Township 32 North, Range 10 West, N.M.P.M., San Juan County, New Mexico:

- a. Oil and Gas Lease dated June 26, 1950, from Robert J. Doughtie and wife, Edna O. Doughtie, as lessors, to John F. Sullivan, as lessee, embracing among other lands, 32.5 acres in the SE/4 NW/4 and 47 acres in the N/2 SW/4 of Section 15, Township 32 North, Range 10 West, N.M.P.M.
- b. Oil and Gas Lease dated June 27, 1950, from Robert L. Gaston and wife, Edith Gaston, as Lessors, to John F. Sullivan, as lessee, embracing among other lands, the SE/4 SW/4 and the East 40 rods of the South 30 rods of the NE/4 SW/4 of Section 15, Township 32 North, Range 10 West, N.M.P.M., containing 47 acres.
- c. Oil and Gas Lease dated June 27, 1950, executed by Mary Katherine Heiser, as lessor, to John F. Sullivan, as lessee, embracing among other lands, the NE/4 NW/4 and the North 7.5 acres of the SE/4 NW/4 of Section 15, Township 32 North, Range 10 West, N.M.P.M., containing 47.5 acres.

The three leases described above cover approximately 174 acres in the W/2 of Section 15, Township 32 North, Range 10 West, N.M.P.M.

Your Applicant further represents the following:

That Pacific Northwest Pipeline Corporation is the present owner and holder of leasehold rights or operating rights under the following described Oil and Gas Leases all embracing lands located in the W/2 of Section 15, Township 32 North, Range 10 West, N.M.P.M., San Juan County, New Mexico:

- a. Oil and Gas Lease dated June 1, 1953, from Denver & Rio Grande Western Railroad Company, as lessor, to Phillips Petroleum Company, as lessee.

- b. Oil and Gas Lease dated December 11, 1951, from Katherine Hendricks, a widow, et al, as lessors, to H. C. Wynne, as lessee.
- c. United States Oil and Gas Lease Serial Number Santa Fe 079625, dated September 1, 1949, from the United States of America, as lessor, to Hazle L. Gentle, as lessee.
- d. Oil and Gas Lease dated April 22, 1954, from Edward E. Miller and Lena A. Miller, as lessors, to Phillips Petroleum Company, as lessee.

That said leases cover approximately 103 acres in the W/2 of Section 15, Township 32 North, Range 10 West, N.M.P.M.

That Saul A. Yager, M. E. Gimp, Sam Mizel, Morris Mizel and Marian Cohn, (hereafter termed "Yager, et al") are the owners of all the oil, gas and other minerals underlying the NW/4 NW/4 of Section 15, Township 32 North, Range 10 West, N.M.P.M., and that this mineral interest is unleased. FEE

That Mr. Dave Clark, whose address is R.F.D., Aztec, New Mexico, is the owner of 3 acres of land lying West of the right of way of State Highway 550, as it runs on the South side of the N/2 SW/4 of Section 15, Township 32 North, Range 10 West, N.M.P.M.

Your Applicant has attached hereto as Exhibit "A" to this Application, a plat showing the ownership in the W/2 of Section 15, Township 32 North, Range 10 West, N.M.P.M.

That Yager, et al, owners of the mineral interest under the NW/4 NW/4 of Section 15, Township 32 North, Range 10 West, N.M.P.M., have been contacted and requested to communitize their interest and pay their proportionate share of the costs of a Mesaverde well to be drilled on the W/2 of Section 15, Township 32 North, Range 10 West, N.M.P.M. Yager, et al, have refused to join in any Communitization Agreement unless your Applicant paid all costs and recovered the portion attributable to Yager, et al, from subsequent production, if said well shall be productive.

That Dave Clark has refused to join in any Communitization Agreement and refused to lease his acreage unless the lessee would agree to drill a well thereon, from which he would receive 1/8 of all production.

That your Applicant and Pacific Northwest Pipeline Corporation desire to drill a well to be located on the W/2 of Section 15, Township 32 North, Range 10 West, N.M.P.M., and that they are ready, willing and able to pay their proportionate share of the costs.

That your Applicant represents that it has made diligent efforts to reach some agreement whereby the entire W/2 of Section 15, Township 32 North, Range 10 West, N.M.P.M. could be dedicated to a Mesaverde gas well in accordance with the provisions of Order #R-110, as promulgated by this Commission, but that such efforts have been to no avail, inasmuch as Saul A. Yager, et al, and Dave Clark do not desire to enter into a Communitization Agreement covering said acreage on a basis which would be mutually satisfactory to all concerned.

Your Applicant respectfully requests that an appropriate order be entered by the Commission authorizing an unorthodox spacing unit and gas proration unit to consist of 277 acres in the W/2 of Section 15, Township 32 North, Range 10 West, N.M.P.M., said unorthodox spacing unit would include all of the W/2 of Section 15, except the NW/4 NW/4 and 3 acres located on the South side of the N/2 SW/4 of Section 15, Township 32 North, Range 10 West, N.M.P.M. In the alternative, your Applicant requests that if the above relief is not granted by the Commission, the Commission enter its order pooling the W/2 of Section 15, Township 32 North, Range 10 West, N.M.P.M., containing 320 acres, more or less, into an orthodox spacing unit and gas proration unit.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By Bruce P. Howell
attorney

BLOCK TYPE UNITS

The following provision in connection with non consent wells is contained in Section 8, Paragraph B of the Unit Operating Agreements of the San Juan 27-4, San Juan 27-5, San Juan 28-4, San Juan 28-5, San Juan 28-6, San Juan 28-7, San Juan 29-4, San Juan 29-5, San Juan 29-6, San Juan 29-7, San Juan 30-4, San Juan 30-5, San Juan 30-6, San Juan 31-6, San Juan 32-5, San Juan 32-7, San Juan 32-8, San Juan 32-9 Units:

. . . . "If less than all of such parties elect to join in the drilling of such well, Unit Operator shall, upon obtaining required governmental approvals, proceed with due diligence to drill such well at the sole cost and risk of the party or parties electing to share in the costs thereof, hereinafter called the "drilling parties". In the event any such well is a dry hole (and is not taken over for plug back or deepening), it shall be plugged and abandoned at the sole cost of the drilling parties. In the event such well is a producer, it shall be tested, completed and equipped to produce by the Unit Operator at the sole cost of the drilling parties, and such drilling parties each in proportion to its contribution to the cost of drilling, testing, completing and equipping the well shall be entitled to receive the proceeds of production from the well or, if it is capable of producing in paying quantities, shall be entitled to receive the proceeds of production allocable to the interests admitted to the participating area on account of such well, after deducting therefrom all royalties, overriding royalties, production payments and one hundred per cent (100%) of the operating expenses attributable thereto, until said drilling parties shall have received therefrom one hundred fifty per cent (150%) of the costs of drilling, testing, completing and equipping said well to produce."

ALLISON UNIT

The following provision in connection with non consent wells is contained in Section 9, Paragraph 2 of the Unit Accounting Agreement of the Allison Unit:

. . . "If such well is drilled by any party hereto or by the Unit Operator not acting as such and shall be completed as a producing well such that the land upon which it is situated may properly be included in a participating area, the well shall be operated pursuant to the terms of this agreement as though it had been drilled by the Unit Operator and the party drilling such well shall receive 200% of the total cost and expense of drilling, testing and completing same, payable out of the first production therefrom remaining after payment of all royalty charges, deductions for amounts used by Unit Operator for production, developing, repressuring, recycling, or unavoidably lost and deductions for operating expenses." . . .

* * * * *

CEDAR MESA UNIT

The following provision in connection with non consent wells is contained in Section 8, Paragraph 2 of the Unit Operating Agreement of the Cedar Mesa Unit:

. . . . "However, the proportionate share of the non-drilling party (whether one or more) in the unitized substances produced from either of such wells shall be sold, and the non-drilling party shall direct the purchaser thereof to pay to the drilling party (and the drilling party shall be entitled to receive) all the proceeds from the sale thereof, after deducting all royalty interests, overriding royalty interests, and production payments, if any, until such drilling party shall have been reimbursed therefrom in an amount equal to the non-drilling party's share of the total accrued expense of operating such well, plus 150% of the non-drilling party's share of the net cost of drilling such well."

COX CANYON UNIT

The following provision in connection with non consent wells is contained in Section 18 of the Unit Operating Agreement of the Cox Canyon Unit Area:

. . . "If any well so drilled encounters oil and gas, or either of them, or other hydrocarbon minerals, in paying quantities, separate tankage and measuring devices shall be provided for such well, which shall be completed and equipped by the drilling party or parties and then taken over by Unit Operator (if Unit Operator did not drill such well) and operated at the expense of the drilling party or parties and the drilling party or parties shall be credited with the entire working interest income therefrom, less the cost of operating such well, until such time as the working interest income, less the cost of operating such well, equals one hundred fifty per cent (150%) of the cost to the requesting party or parties of the drilling, completing and equipping of such well, whereupon it shall be owned and operated as a jointly owned well pursuant to the provisions of this agreement." . . .

* * * * *

HUERFANO UNIT

The following provisions in connection with non consent wells is contained in the last paragraph of Section 14 of the Unit Accounting Agreement of the Huerfano Unit Area:

. . . "In the event the extension well was not drilled at the cost and risk of all of the Working Interest Owners in the Participating Area, or at the cost and risk of all of the Working Interest Owners in the Unit Area in the event the well is included in a Participating Area, the parties bearing the cost and risk of said well shall be entitled to a credit of 150% of the intangible cost of drilling, completing and equipping said well in the investment adjustment described in this section." . . .

HUERFANITO UNIT

The following provision in connection with non consent wells is contained in Section 10 of the Huerfanito Unit Operating Agreement:

. . . . "If said well be a test or extension well, the cost of such well shall be allocated by the operator to the party or parties desiring to drill said well in the proportion that each of their aggregate leasehold interests committed to the unit agreement respectively bears to the total number of acres committed to the unit agreement by the parties desiring to drill such well. If any such well should be completed as a well capable of producing oil or gas in paying quantities, the party or parties drilling such well shall be entitled to receive all of the proceeds derived from the sale of the production from such well, the same to be allocated to said parties in the same proportions that they contributed to the cost thereof. After said parties shall have received from the proceeds of the production from said well an amount equal to the total operating expenses thereof plus 150% of the total cost of drilling, testing, completing and equipping the same, all future operating expenses in connection therewith and the production therefrom shall be allocated among the parties hereto on the same basis as such costs and production would be allocated for any other well drilled under the terms of said unit agreement by the mutual consent of the parties hereto."

* * * * *

LINDRITH UNIT

The following provision in connection with non consent wells is contained in Section 10, Paragraph (a) of the Unit Accounting Agreement of the Lindrith Unit Area:

. . . . "In the event a well drilled pursuant to Section 12 of the Unit Agreement by some parties hereto other than the Operator results in production of unitized substances such that the land upon which it is situated may properly be included in a participating area, the parties paying the cost of drilling and completing such well shall,

unless the Operator by negotiation acquires, within ninety (90) days after completion thereof, such well and all its equipment, including any tankage, be entitled to produce and operate same and to retain the benefits of all unitized substances produced therefrom, subject to royalty interests, until such parties shall have recovered from the working interest production thereof an amount equal to twice the cost incurred in drilling, completing and equipping such well, plus an amount equal to the reasonable and bona fide cost of operating the well during the period of recovery, including all taxes with respect to working interest production during the period of recovery."

* * * * *

RINCON UNIT

The following provision in connection with non consent wells is contained in Amendment to Unit Operating Agreement, Section 10-A, Paragraph 2:

. . . . "If any such well should be completed as a well capable of producing oil or gas in paying quantities, the party or parties drilling such well shall be entitled to receive all of the proceeds derived from the sale of the production from such well, the same to be allocated to said parties in the same proportions that they contributed to the cost thereof. After said parties shall have received from the proceeds of the production from said well an amount equal to the total operating expenses thereof plus 150% of the total cost of drilling, testing, completing and equipping the same, all future operating expenses in connection therewith and the production therefrom shall be allocated among the parties hereto on the same basis as such costs and production would be allocated for any other well drilled under the terms of said Unit Agreement by the mutual consent of the parties hereto."

CERTIFICATE

STATE OF NEW MEXICO)
 : ss
COUNTY OF SANTA FE)

I, W. B. Macey, member and secretary and director of the Oil Conservation Commission of the State of New Mexico, do hereby certify that the attached copies of orders, allowable schedules and proration schedules of said Commission are true and correct copies of the originals of said orders, allowable schedules and proration schedules now on file in the office of said Commission. Said orders, allowable schedules and proration schedules, of which copies are attached, are more particularly described as follows:

1. ORDER No. AG-1 and SCHEDULE "A" attached thereto.
2. ORDER No. AG-1-A and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.
3. ORDER No. AG-1-B and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.
4. ORDER No. AG-1-C and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.
5. ORDER No. AG-1-D and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

6. ORDER No. AG-1-E and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

7. ORDER No. AG-1-F and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

8. ORDER No. AG-2 and SCHEDULE "A" attached thereto.

9. ORDER No. AG-2-A and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

10. ORDER No. AG-2-B and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

11. ORDER No. AG-2-C and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

12. ORDER No. AG-2-D and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

13. ORDER No. AG-2-E and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil

and Gas Company's Dauren Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

14. ORDER No. AG-2-F and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauren Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

15. ORDER No. AG-3 and SCHEDULE "A" attached thereto.

16. ORDER No. AG-3-A and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauren Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

17. ORDER No. AG-3-B and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauren Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

18. ORDER No. AG-3-C and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauren Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

19. ORDER No. AG-3-D and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauren Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

20. ORDER No. AG-3-E and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauren Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

21. ORDER No. AG-3-F and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

22. ORDER No. AG-4 and SCHEDULE "A" attached thereto.

23. ORDER No. AG-4-1 and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

24. ORDER No. AG-4-2 and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

25. ORDER No. AG-4-3 and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

26. ORDER No. AG-4-4 and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

27. ORDER No. AG-4-5 and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauron Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

28. ORDER No. AG-4-6 and the sheet of proration schedule attached thereto being that portion of the proration schedule re-

ferred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauren Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

29. ORDER No. AG-5 and SCHEDULE "A" attached thereto.

30. ORDER No. AG-5-1 and the sheet of proration schedule attached thereto being that portion of the proration schedule referred to in paragraph (3) of this order, which covers Aztec Oil and Gas Company's Dauren Well referred to in Case No. 992 on the January, 1956, docket of the Commission.

31. ORDER No. R-264-A.

32. ORDER No. R-372-A.

33. ORDER No. R-464.

34. ORDER No. R-610.

I do further hereby certify, after diligent search of the records of said Oil Conservation Commission, that the above described are all of the orders, allowable schedules and proration schedules that have been adopted by the Oil Conservation Commission of the State of New Mexico affecting Aztec Oil and Gas Company's Dauren Well referred to in Case No. 992 on the January, 1956, docket of the said Commission located in the Blinbry Gas Pool in the NE/4 NE/4 of Section 10, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico, for the period from November 10, 1953, to January 18, 1956, both inclusive.

IN WITNESS WHEREOF I have affixed my hand and the seal of the Oil Conservation Commission of the State of New Mexico on this ____ day of January, 1956.

W. B. Macey
Member, Secretary and Director of
the Oil Conservation Commission
of the State of New Mexico

Subscribed and sworn to before me this ____ day of January, 1956.

My commission expires: _____

Notary Public