

MAIN OFFICE CCC  
BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO  
1962 JAN 15 PM 1:17

IN THE MATTER OF:

THE APPLICATION OF SOUTHWEST	)	
PRODUCTION COMPANY FOR AN ORDER	)	
FORCE POOLING THE EAST HALF (E $\frac{1}{2}$ )	)	
OF SECTION 22, TOWNSHIP 30 NORTH,	)	Case No. 2416
RANGE 12 WEST, N.M.P.M., SAN JUAN	)	
COUNTY, NEW MEXICO, FOR PRODUCTION	)	
OF GAS FROM THE FLORA VISTA-	)	
<u>MESAVERDE GAS POOL.</u>	)	

APPLICATION FOR DE NOVO HEARING

Comes now the applicant, SOUTHWEST PRODUCTION COMPANY, a co-partnership consisting of Joseph P. Driscoll and John H. Hill, and requests that it be granted de novo hearing with regard to the captioned application, and in support thereof alleges as follows:

1. That in its application for force pooling order on file herein it alleged and stated that it was the owner of a working interest in the Mesaverde Formation underlying the captioned acreage; that it had drilled a well to said Mesaverde Formation at a location within said acreage, and that it was entitled to have certain unleased interests underlying such acreage force pooled making it the operator of the force pooled unit, and granting to it the right to produce the entire 320 acres and retain 7/8ths of all products allocated to the interests which it does not have leased underlying such unit until such time as it has been reimbursed in an amount equal to 125% of its actual costs of drilling, completing, equipping and operating said well, plus a reasonable compensation for the supervision thereof.

2. That applicant was entitled to all of the relief requested in its application, but that in Order No. R-2151 entered by the Commission on the 21st day of December, 1961, the Commission refused to grant the pooling application of the applicant in the following respects:

(a) It refused to pool all unleased interests in the Mesaverde Formation underlying the above described acreage, confining

the effect of such Order to the interests of only Roy Rector and wife, Ethel Rector, O. G. Shelby and wife, Leona Shelby, Dwight L. Millett, Myron H. Dale and George T. Dale, Julian Coffee and San Juan County, New Mexico.

(b) It refused to grant to applicant the right to produce and retain 7/8ths of any and all production until such time as it had been reimbursed in an amount equal to 125% of its actual costs of drilling, completing, equipping and operating said well, plus a reasonable compensation for the supervision thereof, granting to the applicant only the right to retain 7/8ths of the production on certain interests which it allowed to be pooled until such time as it had received 100% of said sums, on the ground that the well to produce such unit had been drilled and tested prior to the time that the application was filed; that the Commission's Order thereby refused to grant to the applicant a 25% risk factor for risk which it incurred in drilling and completing said well, and that applicant is entitled to such risk factor under the statutes of the state of New Mexico, and the rules of this Commission.

(c) That the above referred to Order granted to applicant the right to withhold the proceeds from production with respect to 7/8ths of each non-consenting unleased interest until such time as each interest's share of the costs of said well have been recovered plus 10% thereof as a reasonable charge for supervision; that limiting such supervision allowance to 10% of the costs of said well does not adequately compensate the applicant for its supervision costs throughout the entirety of the operation of the unit, and that such Order should have granted not less than 10% of the production attributable to 7/8ths of each non-consenting unleased interest until depletion of said well by reason of the fact that supervision will be required throughout the life of the production from the unit,

and will not be limited to the period of time while costs of drilling and completing will be recovered.

3. That to protect applicant's correlative rights and prevent waste, applicant is entitled to all of the relief it requested in its application, and that it should be granted a de novo hearing with regard to its application, and upon conclusion thereof this Commission should enter an Order force pooling all unleased interests in the Flora Vista-Mesaverde Gas Pool underlying the above described lands making the applicant operator of the gas proration production unit thereunder, and authorizing it to retain 7/8ths of all production from all non-consenting interest owners in said unit until such time as it has received 125% of all of its costs of drilling, completing and operating said well plus a reasonable percentage of the production throughout the life of said unit for supervision thereof.

WHEREFORE, applicant prays that it be granted a de novo hearing with regard to its application; that due notice thereof be given in accord with the laws of the state of New Mexico and the rules of this Commission; that from the evidence to be adduced thereat this Commission enter its Order force pooling all unleased interests in the Flora Vista-Mesaverde Gas Pool underlying the above described lands making the applicant operator of the gas proration production unit thereunder, and authorizing it to retain 7/8ths of all production from all non-consenting interest owners in said unit until such time as it has received 125% of all of its costs of drilling, completing and operating said well plus a reasonable percentage of the production throughout the life of said unit for supervision thereof; together with such other and further provisions as may be necessary in order to protect the correlative rights of the applicant and prevent waste from the above described lands.

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