

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF:

THE APPLICATION OF SOUTHWEST
PRODUCTION COMPANY FOR A FORCE
POOLING ORDER ON THE BASIN-
DAKOTA GAS POOL, SAN JUAN COUNTY,
NEW MEXICO.

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Case No. ²⁴⁴⁶~~2381~~

APPLICATION FOR DE NOVO HEARING

Comes now the applicant, SOUTHWEST PRODUCTION COMPANY, a co-partnership consisting of Joseph P. Driscoll and John H. Hill, acting by and through its attorneys, Verity, Burr & Cooley, and makes application to the Commission for de novo hearing, Southwest Production Company having heretofore made application to this Commission for the relief herein requested, said application having been assigned Case No. 2381, and said case having been heard before Examiner Daniel S. Nutter on September 20, 1961, and, on September 29, 1961 the Commission having entered its Order R-2068 denying the relief requested therein.

In support of its application for de novo hearing, Southwest Production Company alleges and states as follows:

1. That it is the owner of numerous oil and gas leases covering portions of the East Half ($E\frac{1}{2}$) of Section 22, Township 30 North, Range 12 West, N.M.P.M., in San Juan County, New Mexico, the validity of which is uncontested, and that it has entered into communitization agreements with the owners of leasehold and fee estates in certain other lands situated in the East Half ($E\frac{1}{2}$) of said Section 22, under the terms of which communitization agreements the applicant is constituted as the "Operator" thereof.

2. That there are presently two tracts of land in the East Half ($E\frac{1}{2}$) of said Section 22 which are not under lease, said tracts being as follows, to-wit:

Tract No. 1 - containing .46 acres, more or less, belonging to ROY RECTOR, whose address is Flora Vista, New Mexico;

Tract No. 2 - containing .27 acres, more or less, belonging to O. G. SHELBY, whose address is Flora Vista, New Mexico.

3. That an examination of the records of the County Clerk of San Juan County, New Mexico, indicates that one Myron T. Dale is the beneficial owner of an equitable interest in a portion of the minerals underlying the East Half ($E\frac{1}{2}$) of said Section 22; and that said records indicate the interest of said Myron T. Dale is not under lease. That applicant has made numerous and diligent efforts to locate the whereabouts of said Myron T. Dale, but without success other than that said individual is believed to reside somewhere in the State of Alaska.

4. That an examination of the records of the County Clerk of San Juan County, New Mexico, indicates that the minerals underlying certain dedicated streets and alleys in the unincorporated community of Flora Vista, New Mexico, are or may be vested in the County of San Juan, State of New Mexico by virtue of the statutory effect (Section 14-2-10, NMSA, 1953 Compilation) of the aforesaid dedication. That applicant has attempted to obtain an oil and gas lease from the County of San Juan, State of New Mexico, covering the aforesaid minerals but has thus far been unable to do so.

5. That the mineral ownership in the East Half ($E\frac{1}{2}$) of said Section 22 has been divided into numerous small and irregular tracts and that the descriptions of several of such tracts, as they appear in the records of the County Clerk of San Juan County, New Mexico, contain discrepancies which give rise to several gaps in the East Half ($E\frac{1}{2}$) of said Section 22, and that said gaps are not, according to such records, under lease. That applicant has made

numerous and diligent efforts to ascertain the names and addresses of the owners of such unleased tracts but has thus far been unable to do so.

6. That at the time the original application was filed herein applicant was planning to drill a well to the Basin-Dakota gas pool in the Northeast Quarter of the Northeast Quarter ($NE\frac{1}{4}NE\frac{1}{4}$) of said Section 22; that said well has now been drilled and completed as a commercially productive well and applicant desires to dedicate the entire East Half ($E\frac{1}{2}$) of said Section 22 to said well in accordance with the special rules and regulations of the Basin-Dakota gas pool.

7. That there was considerable risk involved in the drilling of the above referenced well and that under the Statutes of the State of New Mexico and Rules and Regulations of the Oil Conservation Commission applicant is entitled to, and should be allowed to take and receive for its own use $7/8$ ths of any and all production had from the above referenced well 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 reasonable compensation for the supervision thereof.

8. That the force pooling order herein requested is in the interest of conservation and will prevent waste in that it will further the development of the Basin-Dakota gas pool on the spacing pattern established by the special rules and regulations of the Basin-Dakota gas pool.

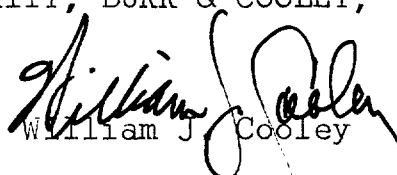
9. That the force pooling order herein requested is required in order to protect the correlative rights of the applicant and all other owners of leasehold and mineral interests in the East Half ($E\frac{1}{2}$) of said Section 22.

WHEREFORE, applicant prays that this application for de novo hearing be set down before the Commission, as provided by the Rules and Regulations of the Oil Conservation Commission and the Laws of the State of New Mexico, and that after hearing, and from the evidence to be adduced thereat, this Commission enter its order force pooling the East Half ($E\frac{1}{2}$) of said Section 22 as to the Basin-Dakota gas pool.

Respectfully submitted,

VERITY, BURR & COOLEY,

By


William J. Cooley

ATTORNEYS FOR APPLICANT,
SOUTHWEST PRODUCTION COMPANY

MAIN OFFICE OCC
BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO.

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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,)
RANGE 12 WEST, N.M.P.M., SAN JUAN)
COUNTY, NEW MEXICO, FOR PRODUCTION)
OF GAS FROM THE BASIN-DAKOTA GAS)
POOL.)

Case No. 2446

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 Basin-Dakota Formation underlying the captioned acreage; that it had drilled a well to said Basin-Dakota 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-2068-A 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 Basin-Dakota 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 Basin-Dakota 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 Basin-Dakota 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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