



ROCKY MOUNTAIN MINERAL LAW FOUNDATION

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72-2-17(c)

correlative rights - non-cost-bearing
sudden increase in royalty ^{interest} can make well uneconomic - cause
a well that would otherwise be drilled not to be
drilled - thus ~~is~~ violate, correlative rights of neighbors

waste -

same argument, except would leave resources in ground

- division "shall pool" ^{of order}
- terms and conditions shall be just and reasonable
- order shall afford owners of each tract or interest
the opportunity to ^{recover or} receive "without unnecessary expense"
his "just and fair share of the oil and gas"

last A -

unleased mineral interest - pooled - 7/8 working interest
and 1/8 royalty interest

owner who pays for drilling is only entitled to non-participating
interest owners' share of production

"after payment of royalty as provided in
the lease, if any, applicable to each tract or
interest..."

72-2-19(c) - Division has jurisdiction ^{decide ~~the~~} "the portion of production owned by the
persons owning interests in the pooled

72-2-6 Division has jurisdiction, authority of all
control over all persons, matters and things necessary or
proper to enforce effectively the provisions of the Oil & Gas Act

Admin. notice -
relationship bet. corps.
article of Sealy



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facts

- 1.30 pooling application filed w/ Division
Sun-West owner of unleased mineral interest
- 2.15 Sun-West leased its unleased mineral interest to Gulf
Coast, ^{Oil and Gas Company} and the contract provided for a 27.5% royalty
bearing R-11573-A
Division order - treat Sun-West as unleased mineral interest
1/8 royalty w/ 7/8 working
Sun-West owns an unleased 15% mineral interest
in the acreage
Gulf Coast & Sun-West have the same directors and
representatives and share the same address + telephone #

precedent:

Case No. 11722

11472 (R-10552)

8640 (R-7998)

8859 (R-8047)

7922 (R-7335)

compulsory application filed
copy of app. delivered to Ralph Nix at Loreta S. Curtis
after rec'd app. -
Mr. Nix assigned a 50% of plots
overriding royalty to Sarah Garnetson,
the daughter of Mr. Curtis, the other lessee



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The pooling statutes become useless if a non-consenting working interest owner can avoid the penalty of cost factors of a pooling order by simply creating excessive overriding royalty burdens.

- risk factor of costs to non-consenting parties are fixed on the date they are served w/ compulsory pooling application.
Don't actually change interest, just how interest is to be treated by the operator.

or

- once well costs & risk factor repaid, then royalty may be treated

~~The state has the authority~~

Contracts in derogation of the state's police power to regulate production of oil & gas are void.

Patterson v. Stanolind Oil & Gas Co. 77 P.2d 83 (1938)
(Layton v. Pan American Petroleum Corp. 383 P.2d 624 (1963))
~~contract interests~~

Q: substantial evidence to existence of Betts economics?



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~~Q: should leasing of an unleased mineral~~

Q: Should an "unleased mineral interest" in the state be fixed at the time of an application for compulsory pooling, upon service of the application, as of the date of the hearing, the date of the order, or some other date?

- but if date of application: statute refers to acreage being "pooled" but interest not pooled until order issues - a date rationale won't work