

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. 3568
Order No. R-3232

APPLICATION OF PUBCO PETROLEUM CORPORATION
FOR COMPULSORY POOLING AND AN UNORTHODOX
LOCATION, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 3, 1967,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 8th day of May, 1967, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, 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, Pubco Petroleum Corporation, seeks
an exception to the Special Rules and Regulations for the Basin-
Dakota Gas Pool to drill a well at an unorthodox location for
said pool 1040 feet from the North line and 360 feet from the
East line of Section 1, Township 29 North, Range 13 West, NMPM,
San Juan County, New Mexico.

(3) That the proposed location is within the city limits
of the City of Farmington, has been chosen because it provides
the maximum distance from homes and buildings, and has been
approved by the offset operators as well as the City of
Farmington, and should be approved to prevent waste and protect
correlative rights.

(4) That the applicant, Pubco Petroleum Corporation, also seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool underlying Lots 1, 2, 3, and 4 and the S/2 of the N/2 of Section 1, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico.

(5) That the applicant has the right to drill and proposes to drill a well in the N/2 of said Section 1 to the Basin-Dakota Gas Pool.

(6) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

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

(8) That the applicant should be designated the operator of the subject well and unit.

(9) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(10) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs.

(11) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(12) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(13) That \$70.00 per month should be fixed as the reasonable 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.

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

IT IS THEREFORE ORDERED:

(1) That the applicant, Pubco Petroleum Corporation, is hereby granted an exception to the Special Rules and Regulations for the Basin-Dakota Gas Pool to drill a well at an unorthodox location 1040 feet from the North line and 360 feet from the East line of Section 1, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico.

(2) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying Lots 1, 2, 3, and 4 and the S/2 of the N/2 of Section 1, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 319.40-acre gas proration unit to be dedicated to the Pubco Petroleum Corporation Federal Well No. 15, to be located as described above.

(3) That Pubco Petroleum Corporation is hereby designated the operator of the subject well and unit.

(4) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.

(5) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs.

(6) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs is

received by the Commission and the Commission has not objected within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(7) That within 30 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) That the operator is hereby authorized to withhold the following costs from production:

The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(9) That the operator shall distribute said costs withheld from production to the parties who advanced the well costs.

(10) That \$70.00 per month is hereby fixed as the reasonable cost of operating the subject well, and the operator is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(11) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(12) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(13) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow

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in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(14) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

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