

Entered October 17, 1978  
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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 6289  
Order No. R-5332-A

APPLICATION OF BILL TAYLOR FOR  
ENFORCEMENT AND AMENDMENT OF  
ORDER NO. R-5332, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 9, 1978, and September 11, 1978, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 17th day of October, 1978, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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 on November 30, 1976, upon the application of C & K Petroleum, Inc., hereinafter referred to as "C & K", the Commission issued its Order No. R-5332 pooling the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.
- (3) That this acreage was dedicated to the Carlsbad "13" Well No. 1 located in Unit G of said section.
- (4) That C & K was appointed the operator of the well by Order No. R-5332, and Bill Taylor, hereinafter referred to as "Taylor", was and is an interest owner in said well.

(5) That on July 5, 1978, Taylor filed an application for "operator's accounting, regulation and order compliance; operator removal; protection of royalty and interest owner's correlative rights; and Commission amendment of Order No. R-5332."

(6) That this cause came on for hearing on August 9, 1978, and September 11, 1978.

(7) That C & K failed to furnish the Commission and each known working interest owner an itemized schedule of estimated well costs after the effective date of Order No. R-5332 and within 30 days prior to commencing the well in accordance with Order (3) of said order.

(8) That Taylor was therefore not afforded the opportunity to pay his share of estimated well costs to the operator in accordance with the terms of said Order No. R-5332 in lieu of paying his share of reasonable well costs out of production.

(9) That Taylor should be afforded the opportunity to pay his share of reasonable well costs now in lieu of paying the same out of production.

(10) That although Taylor objected to well costs as submitted by C & K, including tubing costs, the evidence presented shows that actual well costs total \$551,903.87.

(11) That said well costs of \$551,903.87 are reasonable costs for the subject well.

(12) That within 30 days from the effective date of this order, Taylor should have the right to pay his share of the actual well costs to the operator in lieu of paying his share of said costs out of production; further, that if he pays his share as provided herein, he should remain liable for operating costs but should not be liable for risk charges.

(13) That no evidence was presented showing that C & K has failed to afford Taylor or other interest owners in the unit the opportunity to recover their just and fair share of the gas from the Carlsbad "13" Well No. 1, and there is no evidence that correlative rights have been impaired.

(14) That no evidence was presented showing that C & K has caused waste by its operation of the well.

(15) That although certain of the accounting and operational procedures employed by C & K in the past appear to have been less than satisfactory, these have apparently now been corrected.

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(16) That although the evidence in this case establishes that C & K has been grossly lax in the observance of certain Division rules and orders, particularly as they relate to the filing of forms and reports, and the establishment of an escrow account in accordance with Order (12) of Order No. R-5332, the Commission cannot find this to be grounds for removal of C & K as operator of the well at this time, and it should be permitted to continue as operator, pending further order of the Commission or Division.

(17) That Taylor's request that C & K be removed as operator should therefore be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Bill Taylor for removal of C & K Petroleum, Inc., as operator of the Carlsbad "13" Well No. 1 located in Unit G of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, is hereby denied.

(2) That within 30 days from the effective date of this Order, Bill Taylor shall have the right to pay his share of the actual well costs of \$551,903.87 to the operator of said Carlsbad "13" Well No. 1 in lieu of paying his share of said costs out of production, and should he pay his share as provided above, he shall remain liable for operating costs but shall not be liable for risk charges.

(3) That all provisions of Order No. R-5332 not in conflict herewith shall remain in full force and effect.

(4) 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 herein-above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
PHIL R. LUCERO, Chairman

  
EMERY C. ARNOLD, Member

  
JOE D. RAMEY, Member & Secretary

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