

Entered July 7, 1980
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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 FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6927
Order No. R-6390

APPLICATION OF DOYLE HARTMAN FOR
COMPULSORY POOLING AND AN UNORTHODOX
LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 5, 1980, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 7th day of July, 1980, the Commission, a quorum being present, having considered the testimony, exhibits and the record, 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, Doyle Hartman, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 24, Township 17 South, Range 28 East, NMPM, South Empire-Morrow Gas Pool, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox location 800 feet from the South line and 1000 feet from the West line of said Section 24.

(4) That ARCO Oil and Gas Company, in companion Case No. 6928, requested compulsory pooling of the S/2 of said Section 24 to be dedicated to a well 660 feet from the South line and 1980 feet from the East line of said Section 24.

(5) That ARCO Oil and Gas Company opposed the proposed unorthodox well location sought in this case.

(6) That the preponderance of evidence presented in this case indicated a Morrow formation channel sand containing substantial reserves of hydrocarbons underlies, at a minimum, portions of Sections 24 and 25, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico.

(7) That ARCO operates two wells in said Section 25, south of the proposed proration unit.

(8) That the ARCO wells in said Section 25 are completed in and producing from said Morrow formation channel sand.

(9) That in said Section 25, the channel trends generally in a northwest-southeast direction.

(10) That geophysical evidence presented indicated that the channel swings in a northerly direction at the south boundary of Section 24, and underlies a substantial portion of the W/2 of said Section 24.

(11) That the wells currently producing gas from this Morrow formation channel sand in Section 25 are draining gas from this channel under Section 24.

(12) That a well drilled at an orthodox location in said Section 24 would be outside the boundaries of said Morrow channel.

(13) That the preponderance of evidence established that there are approximately the same number of productive acres in this Morrow channel sand underlying the S/2 of Section 24 as underlie the N/2 or the S/2 of Section 25, the proration units to the south.

(14) That a well at the proposed unorthodox location would be at a standard location relative to the North and South lines of the S/2 of said Section 24.

(15) That the evidence presented established that Doyle Hartman would gain no advantage over any other producer in the Morrow formation by reason of drilling and producing a well at the proposed unorthodox location.

(16) That approval of Doyle Hartman's proposed well location, without penalty, will afford him the opportunity to drill a well in the channel in the S/2 of Section 24 and to produce the reserves underlying his property thereby preventing waste and protecting his correlative rights.

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

(18) 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.

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

(20) 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.

(21) 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 plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(23) 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.

(24) That \$3100.00 per month while drilling and \$310.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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(25) 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.

(26) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 20, 1980, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the S/2 of Section 24, Township 17 South, Range 28 East, NMPM, South Empire-Morrow Gas Pool, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 800 feet from the South line and 1000 feet from the West line of said Section 24.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 20th day of September, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 20th day of September, 1980, Order (1) of this order shall be null and void and of no effect whatsoever.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Oil Conservation Division and show cause why Order (1) of this order should not be rescinded.

(2) That Doyle Hartman is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) 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 but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period, the Division will determine the reasonable well costs after public notice and hearing.

(6) That within 60 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.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

- (A) 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.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of 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.

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

(9) That \$3100.00 per month while drilling and \$310.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) 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.

(11) 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.

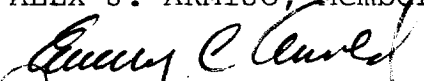
(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 90 days from the date of this order.


(13) 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

ALEX J. ARMIJO, Member


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

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