

Entered March 11, 1970
A.V.P.

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. 4311
Order No. R-3931

APPLICATION OF C. E. LONG
FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 25, 1970, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 11th day of March, 1970, 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, C. E. Long, seeks an order pooling all mineral interests from the surface of the ground down to the base of the Seven Rivers formation underlying the S/2 NE/4 of Section 31, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, to form two 40-acre proration units comprising the SE/4 NE/4 and the SW/4 NE/4 of said Section 31 for Eumont, Jalmat, or South Eunice oil production to be dedicated to a well to be re-entered in the SE/4 NE/4 and a well to be re-entered or to be drilled at a standard location in the SW/4 NE/4 of said Section 31 or to form an 80-acre non-standard gas proration unit comprising the S/2 NE/4 of said Section 31 for Eumont or Jalmat gas production.

(3) That the applicant has the right to drill and proposes to re-enter a well in each of the aforesaid quarter-quarter

sections or to drill a well in the SW/4 NE/4 of said Section 31, and to test any and all formations, particularly the Yates and Seven Rivers formations, from the surface of the ground down to the base of the Seven Rivers formation.

(4) That there are interest owners in the proposed spacing and proration units who have not agreed to pool their interests.

(5) That the evidence indicates that the S/2 NE/4 of said Section 31 may be productive of gas from either or both of the Eumont and Jalmat Gas Pools.

(6) That the evidence indicates that the SE/4 NE/4 and the SW/4 NE/4 of said Section 31 may be productive of oil from the Eumont, Jalmat, and South Eunice Pools.

(7) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in the S/2 NE/4 of said Section 31 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in either or both of the Eumont and Jalmat Gas Pools, all mineral interests, whatever they may be in said pools, down to and including the Seven Rivers formation, within the S/2 NE/4 of said Section 31 should be pooled.

(8) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in the SE/4 NE/4 of said Section 31 the opportunity to recover or receive without unnecessary expense his just and fair share of the oil in the Eumont, Jalmat, or South Eunice Pools, all mineral interests, whatever they may be in said pools, down to and including the Seven Rivers formation, within the SE/4 NE/4 of said Section 31 should be pooled.

(9) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in the SW/4 NE/4 of said Section 31 the opportunity to recover or receive without unnecessary expense his just and fair share of the oil in the Eumont, Jalmat, or South Eunice Pools, all mineral interests, whatever they may be in said pools, down to and including the Seven Rivers formation, within the SW/4 NE/4 of said Section 31 should be pooled.

(10) That the applicant should be designated the operator of the subject wells and units.

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

(12) That any non-consenting working interest owner that does not pay his share of estimated well costs for the well to be re-entered in the SE/4 NE/4 of said Section 31 should have withheld from production from said well his share of the reasonable well costs of said well plus an additional 50% thereof as a reasonable charge for the risk involved in the completion of the well.

(13) That any non-consenting working interest owner that does not pay his share of estimated well costs for the well to be re-entered or drilled in the SW/4 NE/4 of said Section 31 should have withheld from production from said well his share of the reasonable well costs of said well plus an additional 50% thereof as a reasonable charge for the risk involved in the completion of the well.

(14) That any non-consenting interest owner should be afforded the opportunity, as to each well, 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.

(15) That following determination of reasonable well costs, as to each well, any non-consenting working interest owner that has paid his share of estimated costs should pay, as to each well, 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.

(16) That \$75.00 per month for each completed productive zone in each of the subject wells should be fixed as a reasonable charge for supervision of each of the subject wells; that the operator of the subject wells should be authorized to withhold from production the proportionate share of such supervision charge 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 wells not in excess of what are reasonable attributable to each non-consenting working interest.

(17) That all proceeds from production from the subject wells which are not disbursed for any reason should be placed in escrow

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to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Eumont and Jalmat Gas Pools down to and including the Seven Rivers formation underlying the S/2 NE/4 of Section 31, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled to form an 80-acre non-standard gas proration unit for said pools to be dedicated to a well to be re-entered in either the SE/4 NE/4 or the SW/4 NE/4 of said Section 31 or drilled in the SW/4 NE/4 of said Section 31.

(2) That all mineral interests, whatever they may be, in the Eumont, Jalmat, and South Eunice Pools down to and including the Seven Rivers formation underlying the SE/4 NE/4 of Section 31, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled to form a 40-acre oil spacing unit for each pool to be dedicated to a well to be re-entered in said quarter-quarter section.

(3) That all mineral interests, whatever they may be, in the Eumont, Jalmat, and South Eunice Pools down to and including the Seven Rivers formation underlying the SW/4 NE/4 of Section 31, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled to form a 40-acre oil spacing unit for each pool to be dedicated to a well to be re-entered or drilled in said quarter-quarter section.

(4) That C. E. Long is hereby designated the operator of the subject wells and units.

(5) That the operator shall furnish the Commission and each known working interest owner in the S/2 NE/4 of said Section 31 an itemized schedule of estimated well costs, as to the well to be re-entered in the SE/4 NE/4 of said Section 31, within 30 days following the date of this order.

(6) That the operator shall furnish the Commission and each known working interest owner in the S/2 NE/4 of said Section 31 an itemized schedule of estimated well costs, as to the well to be drilled or re-entered in the SW/4 NE/4 of said Section 31, at least 30 days prior to commencing the drilling or re-entry of the well in the SW/4 NE/4 of said Section 31.

(7) That within 30 days from the date the schedules of estimated well costs, as to each well, are furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs, as to each well, to the operator in lieu of paying his share of reasonable well costs, as to each well, 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.

(8) That the operator shall furnish the Commission and each known working interest owner in the subject units an itemized schedule of actual well costs as to each well within 30 days following completion of each 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 each 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.

(9) That within 30 days following determination of reasonable well costs, as to each well, 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.

(10) That the operator is hereby authorized, as to each well, 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 completion of the well, 50% 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.

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

(12) That \$75.00 per month for each completed productive zone in each of the subject wells is hereby fixed as a reasonable charge for supervision for each of the subject wells; that the operator is hereby authorized, as to each of the subject wells, to withhold from production the proportionate share of such supervision charge 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 the subject wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

(13) 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.

(14) 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.

(15) That all proceeds from production from the subject wells which are not disbursed for any reason shall be placed in escrow in Lea 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.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

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

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