

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

*CASE NO. 11651
ORDER NO. R-10729*

**APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 5, 1996 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 13th day of January, 1997, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Yates Petroleum Corporation ("Yates"), seeks an order pooling all mineral interests from the surface to the base of the Morrow formation, underlying the following described acreage in Section 27, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, and in the following manner:

(a) the N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Dayton-Wolfcamp Gas Pool and the Atoka-Pennsylvanian Gas Pool;

(b) the NW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and,

(c) the NE/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent which presently includes but is not necessarily limited to the Undesignated Dayton-Grayburg Pool, Atoka-San Andres Pool, Atoka-Glorieta-Yeso Pool, and Undesignated Dayton-Abo Pool.

(3) Said units are to be dedicated to the existing Hawkins "GY" Well No. 4 (API No. 30-015-00252), located at a standard location for all three sized units 990 feet from the North line and 1650 feet from the West line (Unit C) of said Section 27. The Hawkins "GY" Well No. 4, formerly the Hawkins Gas Com Well No. 2, was originally drilled in 1959 by Nearburg and Ingram to a total depth of 9,333 feet and completed in the Atoka-Pennsylvanian Gas Pool whereby it produced until March, 1976 when the operator at that time, Tom L. Ingram of Roswell, New Mexico, shut the well in. This well has been temporarily abandoned since that time.

(4) Evidence presented at the hearing indicates that 100 percent of the mineral interest underlying the 300 acres comprising the NE/4, N/2 NW/4, SW/4 NW/4, and N/2 SE/4 NW/4 of said Section 27 is either owned by or under lease to Yates and, as such, it is not necessary to pool those pools and/or formations developed on 40-acre spacing; therefore, the proposed 40-acre unit to be pooled should be dismissed at this time.

(5) Evidence further indicates that there are approximately 100 owners with mineral interest in the 20-acre area comprising the S/2 SE/4 NW/4 of said Section 27. 73 of these mineral interest have agreed to lease to Yates, the remaining have either declined, not responded to Yates' offer, or cannot be located.

(6) No interested or affected party to this matter appeared at the hearing in opposition to this application.

(7) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in the above-described 320-acre and 160-acre units the opportunity to recover or receive without unnecessary expense his just and fair share of hydrocarbon production in any pool resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may

be, within said 320-acre and 160-acre units.

(8) Yates Petroleum Corporation should be designated the operator of the subject well and 320/160-acre units.

(9) 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) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the recompletion of the well.

(11) Any non-consenting interest owner should be afforded the opportunity to object to the actual recompletion costs but actual recompletion costs should be adopted as the reasonable recompletion costs in the absence of such objection.

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

(13) \$5,400.00 per month while recompleting and \$540.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); 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.

(14) 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.

(15) Upon the failure of the operator of said pooled 320/160-acre units to commence recompletion of the well to which said acreage is dedicated on or before April 15, 1997, the order pooling said units should become null and void and of no further effect whatsoever.

(16) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(17) The operator of the well and 320/160-acre units should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Morrow formation, underlying the following described acreage in Section 27, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, and in the following manner:

(a) the N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Dayton-Wolfcamp Gas Pool and the Atoka-Pennsylvanian Gas Pool; and,

(b) the NW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent.

Said 320-acre and 160-acre units, ("units") shall be dedicated to the existing Hawkins "GY" Well No. 4 (API No. 30-015-00252), located at a standard location for both the 320-acre and 160-acre units 990 feet from the North line and 1650 feet from the West line (Unit C) of said Section 27.

PROVIDED HOWEVER THAT, the operator of said units shall commence recompleting said well, with due diligence, on or before the fifteenth day of April, 1997.

PROVIDED FURTHER THAT, in the event said operator does not commence with the recompleting of said well on or before the fifteenth day of April, 1997, Decretory Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be recompleted, or abandoned, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Decretory Paragraph No. (2) of this order

should not be rescinded.

(2) Yates Petroleum Corporation ("Yates") is hereby designated the operator of the subject well and units.

(3) After the effective date of this order and within 90 days prior to commencing recompletion operations, the operator shall furnish the Division and each known working interest owner in the subject units an itemized schedule of estimated well costs.

(4) 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 recompletion costs to the operator in lieu of paying his share of reasonable recompletion costs out of production, and any such owner who pays his share of estimated recompletion costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

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

(6) Within 60 days following determination of reasonable recompletion costs, any non-consenting working interest owner who has paid his share of estimated recompletion costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable recompletion costs exceed estimated recompletion costs and shall receive from the operator his pro rata share of the amount that estimated recompletion costs exceed reasonable recompletion costs.

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

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

- (b) As a charge for the risk involved in recompleting the well, 200 percent of the pro rata share of reasonable recompletion costs attributable to each non-consenting working interest owner who has not paid his share of estimated recompletion costs within 30 days from the date the schedule of estimated recompletion costs is furnished to him.

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

(9) \$5,400.00 per month while recompleting and \$540.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); 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) Any unleased 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) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

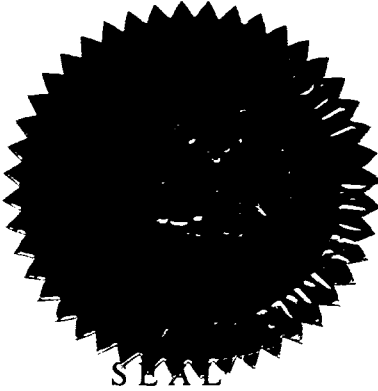
(12) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

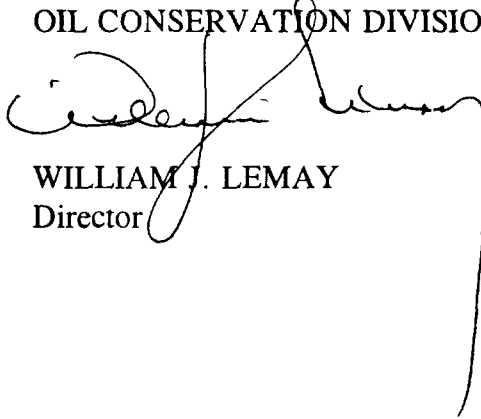
(14) The operator of the subject well and units shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(15) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director