

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8401
Order No. R-7744

APPLICATION OF J. M. HUBER CORPORATION
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on November 14, 1984, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 6th day of December, 1984, 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, J. M. Huber Corporation, seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the S/2 SW/4 of Section 32, Township 12 South, Range 36 East, NMPM, Tatum-Wolfcamp Pool, Lea County, New Mexico.

(3) The applicant has the right to drill and proposes to drill a well at a previously approved unorthodox location thereon.

(4) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, 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 oil in any pool completion resulting from this order, the

subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) The applicant should be designated the operator of the subject well and unit.

(7) 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.

(8) Any non-consenting working interest owner who 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.

(9) 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.

(10) Following determination of reasonable well costs, any non-consenting working interest owner who 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.

(11) \$4,000.00 per month while drilling and \$400.00 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.

(12) 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.

(13) 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 February 1, 1985, the order pooling said unit should become null and void and of no effect whatsoever.

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 reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who 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) 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.

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

(9) \$4,000.00 per month while drilling and \$400.00 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.

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Case No. 8401

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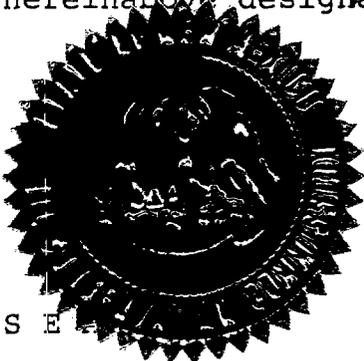
(10) Any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) 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 immediately 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 Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Jurisdiction of this cause is 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

A handwritten signature in cursive script, appearing to read "R. L. Stamets", is written over the typed name.

R. L. STAMETS,
Director

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Dockets Nos. 44-84 and 45-84 are tentatively set for November 28 and December 19, 1984. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 14, 1984

8:00 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Gilbert P. Quintana, Examiner, or Michael E. Stogner, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for December, 1984, from fifteen prorated pools in Lea, Eddy and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for December, 1984, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 8370: (Continued from October 3, 1984, Examiner Hearing)
(This Case will be dismissed.)

Application of Southern Union Exploration Company for temporary special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of temporary special pool rules for the Northeast Vacuum-Wolfcamp Pool located in the NE/4 of Section 32, Township 16 South, Range 35 East, including a provision for 80-acre oil well spacing.

CASE 8355: (Continued from October 17, 1984, Examiner Hearing)

Application of Yates Petroleum Corporation for a unit agreement, Chaves and Otero Counties, New Mexico. Applicant, in the above-styled cause, seeks approval of the One Three Unit comprising 176,800 acres, more or less, of State, Federal, and Fee lands in Townships 16, 17, 18 and 19 South, Ranges 13, 14, 15, 16, and 17 East.

CASE 8377: (Continued and Readvertised)

Application of Ray Westall for amendment of Division Order R-7567, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-7567, which authorized Ammex Petroleum, Inc. to pool all mineral interests in the Bone Spring formation, South Culebra Bluff-Bone Spring Pool, underlying the S/2 SE/4 of Section 28, Township 23 South, Range 28 East, and to pool all mineral interests from the surface to the top of the Bone Spring formation and from the base of the Bone Spring formation to a depth of 8000 feet underlying the SE/4 SE/4 of said Section 28, to change the operator to Ray Westall, to change the risk charge involved in the drilling of the subject well to 200 percent, and to further amend said Order No. R-7567 so that all the provisions thereof will be effective upon the date the proposed amended order is entered, and to allow the applicant a reasonable extension of time, not to exceed ninety days, in which to commence drilling of the subject well.

CASE 8401: Application of J. M. Huber Corporation for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the S/2 SW/4 of Section 32, Township 12 South, Range 36 East, Tatum-Wolfcamp Pool, to be dedicated to a well to be drilled at an unorthodox location 669 feet from the South line and 1326 feet from the West line of said Section 32. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8402: Application of Yates Petroleum Corporation for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the NE/4 of Section 15, Township 7 South, Range 33 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8390: (Continued from October 31, 1984, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp formation through the base of the Morrow formation underlying the E/2 of Section 11, Township 19 South, Range 23 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8374: (Continued from October 17, 1984, Examiner Hearing)

Application of J. Cleo Thompson and James Cleo Thompson, Jr., a Partnership, for an exception to Rule 104 C.I., Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 104 C.I. of the Division's General Rules and Regulations to allow for more efficient development of its West Square Lake Waterflood Project in its West Square Lake Unit Area, Townships 16 and 17 South, Range 30 East.

CASE 8403: Application of Amerind Oil Company for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Strawn formation underlying the S/2 NW/4 of Section 28, Township 16 South, Range 37 East, Northeast Lovington-Pennsylvanian Pool, to be dedicated to a well to be drilled at an unorthodox location 1350 feet from the North line and 1980 feet from the West line of said Section 28. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8404: Application of Exxon Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 660 feet from the South line and 990 feet from the East line of Section 22, Township 16 South, Range 34 East, Undesignated South Kemnitz Atoka-Morrow Field; the S/2 of said Section 22 to be dedicated to the well.

CASE 8405: Application of P & O Treating Plant for an amendment to Administrative Order SWD-272, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Administrative Order SWD-272 to dispose of produced salt water into the Seven Rivers formation in its Meador "A" Well No. 1 located in the SW/4 NE/4 of Section 10, Township 25 South, Range 36 East.

CASE 8406: Application of Greenwood Resources, Inc. for an unorthodox oil well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location 990 feet from the North line and 360 feet from the East line of Section 18, Township 29 North, Range 14 West, Cha Cha-Gallup Pool, the N/2 NE/4 of said Section 18 to be dedicated to the well.

CASE 8382: (Continued from October 17, 1984, Examiner Hearing)

Application of TXO Production Company for dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the dual completion of its Pioneer Federal Com Well No. 1 located 1980 feet from the North line and 1740 feet from the East line (Unit G) of Section 19, Township 21 South, Range 27 East, to produce oil and gas from the Lahuerta-Wolfcamp Pool through a string of tubing and gas from the Burton Flat-Morrow Gas Pool through the casing-tubing annulus.

CASE 8407: Application of TXO Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to 7,250 feet underlying the NW/4 SE/4 of Section 6, Township 20 South, Range 39 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8408: Application of Union Texas Petroleum Corporation for approval of infill drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the Culpepper-Martin Well No. 1E located in the SE/4 SE/4 of Section 31, Township 32 North, Range 12 West, is necessary to effectively and efficiently drain that portion of an existing proration unit in the Blanco Mesaverde Pool which cannot be so drained by the two existing wells on the unit.

CASE 8409: Application of Morris R. Antweil for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Bough "C" formation underlying the NE/4 of Section 7, Township 9 South, Range 36 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8217: (Continued from October 31, 1984, Examiner Hearing)

Application of Curtis J. Little for HARDSHIP GAS WELL CLASSIFICATION, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Federal Com Well No. 2E located in Unit N of Section 11, Township 28 North, Range 13 West, Basin-Dakota Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.