

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. 8532
Order No. R-7873

APPLICATION OF FRED G. YATES, INC.
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 April 10, 1985, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 11th day of April, 1985, 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, Fred G. Yates, Inc., seeks an order pooling all mineral interests from the surface to the base of the Baum-Upper Pennsylvanian Pool underlying the SW/4 of Section 13, Township 13 South, Range 32 East, NMPM, Lea County, New Mexico.

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

(4) The mineral rights in the proration unit are owned by the State of New Mexico, and are leased under State Leases B-399-35 and LG-4177-1.

(5) The entire working interest in the unit has been voluntarily committed to the proration unit. However, there are record interest owners of State Lease B-399-35 in the proposed proration unit who have not agreed to pool their interests.

(6) The consent of or compulsory pooling of the record owners is required by the State Land Office before communitization of the two state leases will be approved.

(7) No charge for the risk involved in drilling the subject well is sought against any record owner of State Lease B-399-35.

(8) An itemized schedule of estimated well costs has been submitted to all working interest owners and to the Division. The working interest owners have consented to the costs set forth on the schedule.

(9) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent 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.

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

(11) \$4515.00 per month while drilling and \$460.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates).

(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 July 10, 1985, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Baum-Upper Pennsylvanian Pool underlying the SW/4 of Section 13, Township 13 South, Range 32 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 160-acre spacing and proration unit to be dedicated to a well to be drilled at a standard location.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the tenth day of July, 1985, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Baum-Upper Pennsylvanian Pool;

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PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the tenth day of July, 1985, Order (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 drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) Fred G. Yates, Inc. is hereby designated the operator of the subject well and unit.

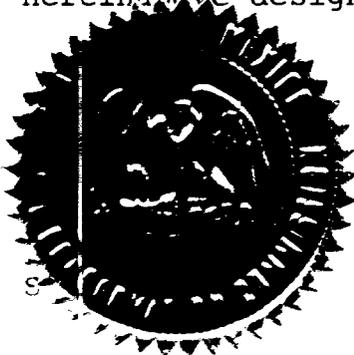
(3) \$4515.00 per month while drilling and \$460.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates).

(4) 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.

(5) 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.

(6) 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
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A handwritten signature in dark ink, appearing to read "R. L. Stamets", is written over the typed name.

R. L. STAMETS,
Director