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BEFORE THE

OIL CONSERVATION COMMISSION

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF TEXACO PRODUCING, INC. FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO. 9490
ORDER NO. 8807

APPLICATION OF TEXACO PRODUCING, INC.
FOR A DE NOVO HEARING

COMES NOW TEXACO PRODUCING, INC. by and through its undersigned attorneys, Campbell & Black, P.A., and pursuant to Section 70-2-13, N.M.S.A., 1978, states that it is a party adversely affected by Division Order R-8807 entered on December 28, 1988 in Case 9490 (Exhibit "A") and accordingly requests that this case be set for a De Novo hearing before the New Mexico Oil Conservation Commission.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

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ATTORNEYS FOR TEXACO PRODUCING, INC.

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. 9490
ORDER NO. R-8807

APPLICATION OF TEXACO PRODUCING, INC.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 26, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of December, 1988, 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, Texaco Producing, Inc., is the owner and operator of the West Jal "B" Deep Well No. 1 located 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 17, Township 25 South, Range 36 East, NMPM, Lea County, New Mexico. Said well was spudded on June 12, 1975 and drilled to a total depth of 18,945 feet. On January 16, 1976 said well was completed in the West Jal-Fusselman Gas Pool (perforated interval from 16,411 feet to 16,439 feet), where, from February 1976 until May 1980, it produced 1,251,368 MCF of gas and 13,262 barrels of condensate. In June 1980 said well was plugged back

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and recompleted to the West Jal Atoka Gas Pool (perforated interval from 12,682 feet to 12,706 feet) and produced a total of 146,350 MCF of gas and 923 barrels of condensate until February 1984. For both the West Jal Fusselman Gas Pool and West Jal-Atoka Gas Pool, said well had dedicated to it the E/2 of said Section 17, forming a standard 320-acre gas spacing and proration unit for said pools.

(3) At the time this well was originally drilled, a lease agreement signed by all of the interested parties within the E/2 of said Section 17 was in effect.

(4) In March 1984, said well was plugged back and recompleted in the West Jal Wolfcamp Pool (perforated interval 11,416 feet to 11,425 feet) as an oil well with the SE/4 NE/4 (Unit H) of said Section 17 dedicated to it forming a standard 40-acre oil spacing and proration unit for said pool.

(5) The applicant now proposes to abandon the present Wolfcamp oil producing zone and test all formations to the base of the Strawn formation in the existing wellbore.

(6) The applicant further seeks an order pooling all mineral interests in any and all formations to the base of the Strawn formation underlying the E/2 of Section 17, Township 25 South, Range 36 East, NMPM, Lea County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations developed on 320-acre spacing.

(7) Said unit is to be dedicated to said West Jal "B" Deep Well No. 1 located at a standard location 1980 feet from the North line and 660 feet from the East line of said Section 17.

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

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(9) Mr. W. D. Dinwiddie of Jal, New Mexico, a 31.25 percent unleased mineral interest owner in the proposed 320-acre unit, appeared at the hearing and objected to this application.

(10) It appears that prior to this hearing, the applicant and Mr. W. D. Dinwiddie could not agree on terms which were mutually acceptable.

(11) 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 gas 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 for pools or formations developed on 320-acre units.

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

(13) 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.

(14) At the time of the hearing the applicant proposed a 200 percent risk penalty be imposed on the cost of recompleting said well.

(15) Inasmuch as the wellbore is in existence and appears to be in good shape and pursuant to the testimony presented at the hearing, the proposed 200 risk penalty is somewhat excessive and should therefore be reduced to reflect this particular situation.

(16) 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 75 percent thereof as a reasonable charge for the risk involved in the recompletion of the well.

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

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(18) 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.

(19) \$300.00 per month while recompleting and \$50.00 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.

(20) 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.

(21) Upon the failure of the operator of said pooled unit to commence recompletion operations on the well to which said unit is dedicated on or before March 1, 1989, the order pooling said unit should become null and void and of no further effect whatsoever.

(22) 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.

(23) The operator of the well and unit 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, in any and all formations developed on 320-acre spacing and proration units, to the base of the Strawn formation underlying the E/2 of Section 17, Township 25 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to the existing West Jal B Deep Well No. 1 located at a standard gas well location 1920 feet from the North line and 660 feet from the East line of said Section 17.

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PROVIDED HOWEVER THAT, the operator of said unit shall commence the recompletion operations on said well on or before the 1st day of March 1989, and shall thereafter continue the recompletion of said well with due diligence to a depth sufficient to test any and all formations to the base of the Strawn formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the recompletion operations on said well on or before the 1st day of March, 1989, Ordering 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 Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Texaco Producing Inc. is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing recompletion operations on 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) 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 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) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following recompletion of the well; 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, 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.

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(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 recompletion operations of the well, 75 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) \$300.00 per month while recompleting and \$50.00 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.

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(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 Lea 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.

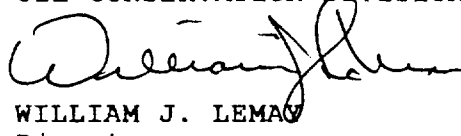
(13) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit 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 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


WILLIAM J. LEMAY
Director

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