

*Entered June 21, 1967  
A.L.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. 3545  
Order No. R-3263

APPLICATION OF JOHN YURONKA AND  
ROBERT E. CHANDLER 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 April 5, 1967,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 27th day of June, 1967, 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 applicants, John Yuronka and Robert E. Chandler,  
seek an order pooling all mineral interests in the Blinebry, Tubb,  
Drinkard, and Paddock Pools in the SW/4 SW/4 of Section 7, Town-  
ship 22 South, Range 38 East, NMPM, Lea County, New Mexico, for  
the production of oil.

(3) That the applicants also seek the pooling of all mineral  
interests in the Blinebry and Tubb Gas Pools in the S/2 SW/4 and  
NE/4 SW/4 of said Section 7 for the production of gas.

(4) That the applicants have the right to drill and propose  
to drill a well in the SW/4 SW/4 of said Section 7 to test any  
and all formations between the surface of the ground and the base  
of the Drinkard formation or to 7400 feet, whichever is lesser,  
but excluding in any event, the Granite Wash formation.

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

(6) That Rule 5(A) of Order No. R-1670, adopting Special Rules and Regulations for the Blinebry Gas Pool, Lea County, New Mexico, provides that a standard gas proration unit in the Blinebry Gas Pool shall be 160 acres.

(7) That in the absence of evidence to the contrary, the entire SW/4 of said Section 7 is presumed to be productive of gas in the Blinebry formation.

(8) That the evidence does not establish that the NW/4 SW/4 of said Section 7 is not productive of gas in the Blinebry formation.

(9) That the pooling of all mineral interests in the Blinebry Gas Pool underlying the S/2 SW/4 and the NE/4 SW/4 of said Section 7 to form a non-standard 120-acre gas proration unit when the entire SW/4 of said Section 7 is presumed productive of gas from said pool would not avoid the drilling of unnecessary wells, or protect correlative rights, or prevent waste and should, therefore, be denied without prejudice to the right of the applicants or other owner of an interest in the above-mentioned quarter section to request the Commission to pool all mineral interests in the Blinebry Gas Pool in the entire SW/4 of said Section 7.

(10) That the evidence indicates that the NW/4 SW/4 of said Section 7 is not productive of gas in the Tubb formation.

(11) That the evidence indicates that the S/2 SW/4 and the NE/4 SW/4 of said Section 7 may be productive of gas from the Tubb formation.

(12) That the evidence indicates that the SW/4 SW/4 of said Section 7 may be productive of oil from any or all of the Blinebry, Tubb, Drinkard, and Paddock formations.

(13) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in the SW/4 SW/4 of said Section 7 the opportunity to recover or receive without unnecessary expense his just and fair share of the oil in the Blinebry, Tubb, Drinkard, and Paddock formations, all mineral interests, whatever they may be in said formations, within the SW/4 SW/4 of said Section 7 should be pooled.

(14) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in the S/2 SW/4 and the NE/4 SW/4 of said Section 7 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the Tubb Gas Pool, all mineral interests, whatever they may be in the Tubb Gas Pool, within the S/2 SW/4 and NE/4 SW/4 of said Section 7 should be pooled.

(15) That the applicants should be designated the operators of the subject well and units.

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

(17) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 35% thereof as a reasonable charge for the risk involved in the drilling of the well.

(18) That any non-consenting interest owner should be afforded the opportunity 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.

(19) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operators any amount that reasonable well costs exceed estimated well costs and should receive from the operators any amount that paid estimated well costs exceed reasonable well costs.

(20) That \$50.00 per month for each completed productive zone should be fixed as the reasonable cost of operating the subject well and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.

(21) That 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.

IT IS THEREFORE ORDERED:

(1) That the applicants' request to pool all mineral interests in the Blinebry Gas Pool in the S/2 SW/4 and NE/4 SW/4 of Section 7, Township 22 South, Range 38 East, NMPM, Lea County, New Mexico, is hereby denied without prejudice to the right of the applicants or other owner of an interest in the SW/4 of said Section 7 to request the Commission to pool all mineral interests in the Blinebry Gas Pool in the entire SW/4 of said Section 7.

(2) That all mineral interests, whatever they may be, in the Drinkard, Paddock, Blinebry, and Tubb Pools underlying the SW/4 SW/4 of Section 7, Township 22 South, Range 38 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 drilled in said quarter-quarter section.

(3) That all mineral interests, whatever they may be, in the Tubb Gas Pool underlying the S/2 SW/4 and the NE/4 SW/4 of Section 7, Township 22 South, Range 38 East, NMPM, Lea County, New Mexico, are hereby pooled to form a 120-acre non-standard gas proration unit for said pool to be dedicated to the above-described well; provided however, that the SW/4 SW/4 of said Section 7 shall not be simultaneously dedicated to an oil well and a gas well in the Tubb formation.

(4) That John Yuronka and Robert E. Chandler are hereby designated the operators of the subject well and units.

(5) That the operators shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.

(6) That 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 operators in lieu of paying his share of reasonable well costs 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.

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

of the 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 the 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.

(8) That within 30 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operators his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operators his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(9) That the operators are 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, 35% 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.

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

(11) That \$50.00 per month for each completed productive zone is hereby fixed as the reasonable cost of operating the subject well, and the operators are hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(12) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8)

-6-

CASE No. 3545

Order No. R-3263

royalty interest for the purpose of allocating costs and charges under the terms of this order.

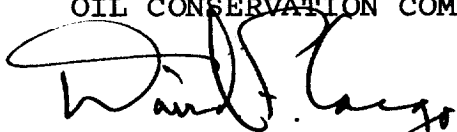
(13) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(14) That 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; that the operators shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



DAVID F. CARGO, Chairman



GUYTON B. HAYS, Member



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

S E A L

esr/