

Entered March 13, 1968
CLP

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. 3726
Order No. R-3388

APPLICATION OF JOHN YURONKA AND
ROBERT 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 February 28, 1968, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 13th day of March, 1968, 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 Chandler, seek an order pooling all mineral interests from the surface of the ground down to a depth of 7400 feet underlying the E/2 SW/4 of Section 7, Township 22 South, Range 38 East, NMPM, Lea County, New Mexico, to form two 40-acre proration units for Drinkard, Paddock, Blinebry, Tubb or other oil production to be dedicated to two wells to be drilled in Units K and N of said Section 7, or to form an 80-acre non-standard gas proration unit in the event gas production is encountered in the Tubb Gas Pool.

(3) That the applicants have the right to drill and propose to drill a well in each of the aforesaid quarter-quarter sections to test any and all formations, particularly the Drinkard, Paddock, Blinebry, and Tubb formations, from the surface of the ground down to a depth of 7400 feet.

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

(5) That the evidence indicates that the W/2 SW/4 of said Section 7 is not productive of gas in the Tubb formation.

(6) That the evidence indicates that the E/2 SW/4 of said Section 7 may be productive of gas from the Tubb formation.

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

(8) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in the E/2 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 E/2 SW/4 of said Section 7 should be pooled.

(9) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in the SE/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 Drinkard, Paddock, Blinebry, and Tubb formations, all mineral interests, whatever they may be in said formations, within the SE/4 SW/4 of said Section 7 should be pooled.

(10) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in 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 oil in the Drinkard, Paddock, Blinebry, and Tubb formations, all mineral interests, whatever they may be in said formations, within the NE/4 SW/4 of said Section 7 should be pooled.

(11) That the applicants should be designated the operators of the subject wells and units.

(12) That any non-consenting working interest owner that does not pay his share of estimated well costs for the well to be drilled in the SE/4 SW/4 of said Section 7 should have withheld from production from said well his share of the reasonable well

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costs of said well plus an additional 40% thereof as a reasonable charge for the risk involved in the drilling of the well.

(13) That any non-consenting working interest owner that does not pay his share of estimated well costs for the well to be drilled in the NE/4 SW/4 of said Section 7 should have withheld from production from said well his share of the reasonable well costs of said well plus an additional 40% thereof as a reasonable charge for the risk involved in the drilling of the well.

(14) That any non-consenting interest owner should be afforded the opportunity, as to each well, 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.

(15) That following determination of reasonable well costs, as to each well, any non-consenting working interest owner that has paid his share of estimated costs should pay, as to each well, 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.

(16) That \$50.00 per month for each completed productive zone in each of the subject wells should be fixed as a reasonable charge for supervision of each of the subject wells; that the operators of the subject wells should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operators should be authorized to withhold from production the proportionate share of actual operating costs of said wells attributable to each non-consenting working interest.

(17) That all proceeds from production from the subject wells 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 all mineral interests, whatever they may be, in the Tubb Gas Pool underlying the E/2 SW/4 of Section 7, Township 22 South, Range 38 East, NMPM, Lea County, New Mexico, are hereby pooled to form an 80-acre non-standard gas proration unit for

said pool to be dedicated to a well to be drilled in either the SE/4 SW/4 or the NE/4 SW/4 of said section; provided, however, that neither of said quarter-quarter sections shall be simultaneously dedicated to an oil well and a gas well in the Tubb formation.

(2) That all mineral interests, whatever they may be, in the Drinkard, Paddock, Blinebry, and Tubb Pools underlying the SE/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 Drinkard, Paddock, Blinebry, and Tubb Pools underlying 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 40-acre oil spacing unit for each pool to be dedicated to a well to be drilled in said quarter-quarter section.

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

(5) That the operators shall furnish the Commission and each known working interest owner in the SE/4 SW/4 of said Section 7 an itemized schedule of estimated well costs, as to the well to be drilled on that tract, within 30 days following the date of this order.

(6) That the operators shall furnish the Commission and each known working interest owner in the NE/4 SW/4 of said Section 7 an itemized schedule of estimated well costs, as to the well to be drilled on that tract, within 60 days following the completion of the well in the SE/4 SW/4 of said Section 7.

(7) That within 30 days from the date the schedules of estimated well costs, as to each well, are furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs, as to each well, to the operators in lieu of paying his share of reasonable well costs, as to each well, 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.

(8) That the operators shall furnish the Commission and each known working interest owner in the subject units an itemized

schedule of actual well costs as to each well within 60 days following completion of each well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 90 days following completion of each 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 90-day period, the Commission will determine reasonable well costs after public notice and hearing.

(9) That within 30 days following determination of reasonable well costs, as to each well, 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.

(10) That the operators are hereby authorized, as to each well, 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, 40% 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.

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

(12) That \$50.00 per month for each completed productive zone in each of the subject wells is hereby fixed as a reasonable charge for supervision for each of the subject wells; that the operators are hereby authorized, as to each of the subject wells, to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and

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in addition thereto, the operators are hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the subject wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

(13) That 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.

(14) 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.

(15) That all proceeds from production from the subject wells 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.

(16) 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

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