

Entered August 7, 1972
A.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:

CASES NOS. 4764 and 4765
Order No. R-4354

CONSOLIDATED CASES:

APPLICATION OF BLACK RIVER CORPORATION
FOR COMPULSORY POOLING AND NON-STANDARD
PRORATION UNIT, EDDY COUNTY, NEW MEXICO.

APPLICATION OF MICHAEL P. GRACE AND
CORINNE GRACE FOR COMPULSORY POOLING
AND NON-STANDARD PRORATION UNIT, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 12, 1972,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 7th day of August, 1972, 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 applicant, Black River Corporation, seeks an
order pooling all mineral interests in the Washington Ranch-
Morrow Gas Pool underlying the W/2 of Section 3, Township 26
South, Range 24 East, NMPM, Eddy County, New Mexico, to form a
407.20-acre non-standard gas proration unit to be dedicated to
its Cities "3" Federal Well No. 1, located 1980 feet from the
North line and 1980 feet from the West line of said Section 3.

(3) That the applicant has the right to drill and has
completed its Cities "3" Federal Well No. 1, located 1980 feet
from the North line and 1980 feet from the West line of said
Section 3 in the Washington Ranch-Morrow Gas Pool.

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(4) That the applicants, Michael P. Grace II and Corinne Grace seek an order pooling all mineral interests in the Washington Ranch-Morrow Gas Pool underlying the W/2 of Section 3, Township 26 South, Range 24 East, NMPM, Eddy County, New Mexico, to form a 407.20-acre non-standard gas proration unit to be dedicated to the Black River Corporation's Cities "3" Federal Well No. 1, located 1980 feet from the North line and 1980 feet from the West line of said Section 3, a completed gas well in the Washington Ranch-Morrow Gas Pool.

(5) That both applicants, Black River Corporation and Michael P. Grace II and Corinne Grace seek to be named operator of the unit to be pooled.

(6) That Cases Nos. 4764 and 4765 were consolidated as both cases involve the same lands and well.

(7) That the evidence indicates that the entire W/2 of the above-described Section 3 can reasonably be presumed productive of gas in the Washington Ranch-Morrow Gas Pool.

(8) That the entire W/2 of the above-described Section 3 can be efficiently and economically drained and developed by the Cities "3" Federal Well No. 1.

(9) That there are interest owners in the proposed non-standard proration unit who have not agreed to pool their interests.

(10) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said non-standard unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, all mineral interests in the Washington Ranch-Morrow Gas Pool underlying the W/2 of Section 3, Township 26 South, Range 24 East, NMPM, Eddy County, New Mexico, should be pooled to form a 407.20-acre non-standard gas proration unit to be dedicated to the Black River Corporation Cities "3" Federal Well No. 1, located 1980 feet from the North line and 1980 feet from the West line of said Section 3.

(11) That Black River Corporation should be designated the operator of the subject well and unit.

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

(13) That any non-consenting working interest owner that does not pay his share of said actual well costs should have withheld from production his share of the reasonable well costs.

(14) 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.

(15) That \$135.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator 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 operator is hereby 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.

(16) That title to the working interest in a 407.20-acre tract being the SE/4 of the SW/4 of said Section 3, is the subject of litigation and the working interest share of proceeds from production attributable to said tract should not be disbursed pending the outcome of said litigation.

(17) 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 all mineral interest, whatever they may be, in the Washington Ranch-Morrow Gas Pool underlying the W/2 of Section 3, Township 26 South, Range 24 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a 407.20-acre non-standard gas proration unit to be dedicated to Black River Corporation's Cities "3" Federal Well No. 1, located 1980 feet from the North line and 1980 feet from the West line of said Section 3.

(2) That Black River Corporation is hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish the Commission and each known and alleged working interest owner in the subject unit an itemized schedule of actual well costs within 60 days following the date of this order; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 60 days following 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 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(4) That within 60 days from the date the schedule of said actual well costs is furnished to him, any non-consenting working interest owner or alleged working interest owners shall have

the right to pay his share of said actual well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of said actual well costs as provided above shall remain liable for operating costs.

(5) That 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 said actual well costs within 60 days from the date the schedule of actual well costs is furnished to him.

PROVIDED HOWEVER, that the working interest share of the proceeds from production attributable to the SE/4 SW/4 of Section 3, shall be placed in escrow to be paid to the true owner thereof upon proper determination of title to the same.

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

(7) That \$135.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge 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 the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(8) 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.

(9) 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.

(10) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner

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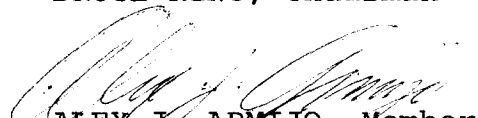
thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.


(11) 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


BRUCE KING, Chairman


ALEX J. ARMIJO, Member


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

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