

Entered November 16, 1973
AJP.

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. 5092
Order No. R-4669

APPLICATION OF GULF OIL CORPORATION
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 October 31, 1973, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 16th day of November, 1973, 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, Gulf Oil Corporation, seeks an order pooling all mineral interests from the base of the Wolfcamp formation to the base of the Morrow formation underlying the E/2 of Section 9, Township 16 South, Range 35 East, NMPM, Townsend-Morrow Gas Pool, Lea County, New Mexico.

(3) That the above-described acreage is to be dedicated to applicant's Hulda Townsend Well No. 2 located in Unit I of said Section 9 which is to be deepened to test the Morrow formation.

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

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, 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 said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That the used value of all salvageable surface and subsurface equipment and casing extant at or in the subject well, which is utilized in the completion of the well as a Morrow gas producer, should be independently determined by a third party.

(8) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well recompletion costs and his share of casing and equipment value, as determined under Finding No. (7) above, to the operator in lieu of paying his share of reasonable recompletion costs and tangible values out of production.

(9) That any non-consenting working interest owner that does not pay his share of estimated well recompletion costs and tangible values should have withheld from production his share of the reasonable well recompletion costs plus an additional 150 percent thereof as a reasonable charge for the risk involved in the drilling of the well and his share of the tangible values as determined in accordance with Finding No. (7) above.

(10) That any non-consenting interest owner should be afforded the opportunity to object to the actual well recompletion costs and casing and equipment value but that actual well recompletion costs and tangible values should be adopted as the reasonable well costs and values in the absence of such objection.

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

(12) That \$182.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); 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 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.

(13) 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.

(14) That upon the failure of the operator of said pooled unit to commence deepening of the well to which said unit is dedicated on or before February 15, 1974, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interest, whatever they may be, from the base of the Wolfcamp formation to the base of the Morrow formation underlying the E/2 of Section 9, Township 16 South, Range 35 East, NMPM, Townsend-Morrow Gas Pool, Lea County, New Mexico, are hereby pooled to form a standard 320 acre gas spacing and proration unit to be dedicated to applicant's Hulda Townsend Well No. 2 located in Unit I of said Section 9.

PROVIDED HOWEVER, that the operator of said unit shall commence the deepening of said well on or before the 15th day of February, 1974, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the deepening of said well on or before the 15th day of February, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

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 Commission and show cause why Order (1) of this order should not be rescinded.

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

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs, and an itemized schedule of the used value, independently determined by a third party, of all salvageable surface and subsurface equipment and casing extant at or in the subject well which is to be utilized in the completion of the well as a Morrow gas producer.

(4) That within 30 days from the date the schedule of estimated well costs, recompletion costs and tangible equipment value is furnished to him, any non-consenting working interest owner shall have the right to pay his share of said estimated well costs and tangible values to the operator in lieu of paying his share of reasonable well recompletion costs and tangible equipment value out of production, and that any such owner who pays his share of estimated well costs and tangible values as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well recompletion costs and salvageable tangible equipment value within 90 days following completion of the well; that if no objection to the actual well costs and values is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs and values shall be the reasonable well costs and values; provided however, that if there is an objection to actual well costs and values within said 45-day period the Commission will determine reasonable well costs and values after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs and values, any non-consenting working interest owner that has paid his share of estimated costs and values in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs and values exceed estimated well costs and values and shall receive from the operator his pro rata share of the amount that estimated well costs and values exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs and salvageable tangible equipment values attributable to each non-consenting working interest owner who has not paid his share of estimated well costs and values within 30 days from the date the schedule of estimated well costs and itemized well equipment and casing values schedule are furnished to him.
- (B) As a charge for the risk involved in the recompletion of the well, 150 percent of the pro rata share of reasonable well recompletion costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs and salvageable tangible equipment values within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$182.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting

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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.

(10) 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.

(11) 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.

(12) 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 operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

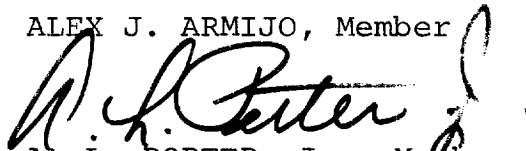
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member



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

S E A L

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