

*Entered October 9, 1974*  
*A.L.B.*

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. 5319  
Order No. R-4862

APPLICATION OF ALAN RALSTON dba  
APOLLO OIL COMPANY 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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, 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, Alan Ralston dba Apollo Oil Company, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the NW/4 of Section 25, Township 25 South, Range 36 East, Lea County, New Mexico, to form a 160-acre non-standard gas proration unit to be dedicated to applicant's Brown Well No. 1 located 1980 feet from the North line and 2310 feet from the West line of said Section 25.

(3) Applicant further seeks the pooling of all mineral interests in the Jalmat Oil Pool underlying the following 40-acre oil proration units in said Section 25: the NW/4 NW/4 to be dedicated to applicant's Brown Well No. 2 located 330 feet from the North line and 825 feet from the West line; the NE/4 NW/4 to be dedicated to applicant's Brown Well No. 3, located 365 feet from the North line and 1650 feet from the West line; the SE/4 NW/4 to be dedicated to applicant's Brown Well No. 4, located 1690 feet from the North line and 1870 feet from the West line; and the SW/4 NW/4 to be dedicated to applicant's Brown Well No. 5, located 1650 feet from the North line and 990 feet from the West line.

(4) That said Brown Wells Nos. 1 through 5 are currently completed in the Jalmat Gas Pool and Jalmat Oil Pool as set out under Findings (1) and (2) above but must be worked over before the wells can be returned to production.

(5) That the applicant has the right to work over and proposes to work over said Brown Wells Nos. 1 through 5.

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

(7) 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 and oil in said pools, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

(8) That the applicant should be designated the operator of the subject wells and units.

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

(10) That any non-consenting working interest owner that does not pay his share of estimated workover costs should have withheld from production his share of the reasonable workover costs plus an additional 20 percent thereof as a reasonable charge for the risk involved in the recompletion of the well.

(11) That any non-consenting interest owner should be afforded the opportunity to object to the actual workover costs but that actual workover costs should be adopted as the reasonable workover costs in the absence of such objection.

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

(13) That for each well, \$85.00 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 each well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(14) 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.

-3-

CASE NO. 5319  
Order No. R-4862

(15) That upon the failure of the operator of said pooled units to commence workover operations on or before January 1, 1975, the order pooling said units should become null and void and of no effect whatsoever.

(16) That all of the wells involved in the subject case were previously subjects in Case No. 4999 and were ordered to be plugged and abandoned by Commission Order No. R-4574.

(17) That any of said Brown Wells Nos. 1 through 5 which cannot be successfully worked over and returned to production should be plugged and abandoned in accordance with a Commission-approved plugging program.

IT IS THEREFORE ORDERED:

(1) That all mineral interest, whatever they may be, in the Jalmat Gas Pool underlying the NW/4 of Section 25, Township 25 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 160-acre gas spacing and proration unit to be dedicated to applicant's Brown Well No. 1, located in Unit F of said Section 25 and that all mineral interests, whatever they may be in the Jalmat Pool underlying the NW/4 ~~NW/4~~, NE/4 NW/4, SE/4 NW/4, and SW/4 NW/4 of said Section 25 are hereby pooled to form four separate 40-acre oil spacing and proration units to be dedicated to applicant's Brown Wells Nos. 2, 3, 4, and 5, located in Units D, C, F, and E, respectively, of said Section 25.

PROVIDED HOWEVER, that the operator of said units shall commence workover operations on the first of said wells on or before January 1, 1975, and shall thereafter continue the workover of said wells with due diligence to test the Jalmat Gas Pool or Jalmat Pool, as set out above, allowing not more than 30 days to elapse between the completion of one well and the commencement of the next.

PROVIDED FURTHER, that in the event said operator does not commence workover operations on the first of said wells on or before the first day of January, 1975, Order (1) of this order shall be null and void and of no effect whatsoever.

PROVIDED FURTHER, that in the event said operator allows more than 30 days to elapse after the completion of any of the subject wells without initiation of workover operations on any of the remaining wells, Order (1) of this order shall be null and void and of no effect whatsoever as to those wells or units.

PROVIDED FURTHER, that should any one or more of said wells not be worked over and returned to production or plugged and abandoned within 60 days after commencement of workover operations, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

-4-

CASE NO. 5319  
Order No. R-4862

(2) That Alan Ralston dba Apollo Oil Company is hereby designated the operator of the subject wells and units.

(3) That after the effective date of this order and within 30 days prior to commencing workover operations on each of said wells, the operator shall furnish the Commission and each known working interest owner in the affected unit an itemized schedule of estimated workover costs.

(4) That within 20 days from the date the schedule of estimated workover costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated workover costs to the operator in lieu of paying his share of reasonable workover costs out of production, and that any such owner who pays his share of estimated workover costs 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 workover costs within 90 days following completion of workover operations on each of said wells; that if no objection to the actual workover costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual workover costs shall be the reasonable workover costs; provided however, that if there is an objection to actual workover costs within said 45-day period the Commission will determine reasonable workover costs after public notice and hearing.

(6) That within 60 days following determination of reasonable workover costs, any non-consenting working interest owner that 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 workover costs exceed estimated workover costs and shall receive from the operator his pro rata share of the amount that estimated workover costs exceed reasonable workover costs.

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

- (A) The pro rata share of reasonable workover costs attributable to each non-consenting working interest owner who has not paid his share of estimated workover costs within 20 days from the date the schedule of estimated workover costs is furnished to him.
- (B) As a charge for the risk involved in the workover of the well, 20 percent of the pro rata share of reasonable workover costs attributable to each non-consenting working

-5-

CASE NO. 5319  
Order No. R-4862

interest owner who has not paid his share of estimated workover costs within 20 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That for each well and unit \$85.00 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 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 for each well and unit 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.

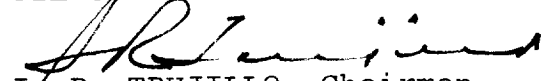
(11) That any workover costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from any of 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 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. ARMISTO, Member

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

S E A L  
jr/