

Entered April 26, 1977

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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. 5889
Order No. R-5418

APPLICATION OF SATURN 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 March 23 and April 20, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 26th day of April, 1977, 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, Saturn Oil Company, seeks an order pooling all mineral interests down to and including the Abo formation underlying two tracts in Section 11, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico to form the two following standard 40-acre oil proration units:

the NE/4 SE/4, to be dedicated to applicant's Lineberry Well No. 1, located 1980 feet from the South line and 660 feet from the East line of said Section 11;

the NW/4 SE/4, to be dedicated to applicant's Lineberry Well No. 2, located 1980 feet from the South line and 1980 feet from the East line of said Section 11.

(3) That the applicant further seeks authority, in the event re-entry into the aforesaid Lineberry Well No. 1 or No. 2 is unsuccessful, to drill and complete a replacement well for such unsuccessful re-entry, and to dedicate the appropriate 40-acre tract thereto.

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(4) That the applicant has the right to drill or re-enter as described above, and proposes to do so.

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

(6) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said units the opportunity to recover or receive without unnecessary expense his just and fair share of the oil and gas in the pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

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

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

(9) 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 150 percent thereof as a reasonable charge for the risk involved in the drilling or recompletion of the well.

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

(11) 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 operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(12) That \$750.00 per month while drilling and \$200.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the

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operator should be authorized to withhold from production the proportionate share of actual expenditures required for well operations, not in excess of what are reasonable, attributable to each non-consenting working interest.

(13) That all proceeds from production from either or both of 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.

(14) That the applicant should be allowed 90 days after date of entry of this order in which to commence operations on the first of the subject wells; that it should be allowed 120 days after commencement of operations on any of said wells within which to complete such operations; and that it should be allowed 120 days after completion of operations on one well within which to commence operations on the next.

(15) That upon failure of applicant to comply with any part of the time schedule hereinabove described, unless extension thereto has been granted by the Commission for good cause shown, this order should become null and void as to the remainder of the well or wells, or unit or units, involved.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, down to and including the Abo formation underlying the NE/4 SE/4 of Section 11, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to applicant's Lineberry Well No. 1, located 1980 feet from the South line and 660 feet from the East line of said Section 11, or in the event re-entry of said well is unsuccessful, to a new well to be drilled at a standard location on said 40-acre tract.

(2) That all mineral interests, whatever they may be, down to and including the Abo formation underlying the NW/4 SE/4 of Section 11, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to applicant's Lineberry Well No. 2, located 1980 feet from the South line and 1980 feet from the East line of said Section 11, or in the event re-entry of said well is unsuccessful, to a new well to be drilled at a standard location on said 40-acre tract.

(3) That Saturn Oil Company is hereby designated the operator of the subject wells and units.

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(4) That the operator shall select the sequence in which operations are carried out on each of the pooled units and the wells thereon.

(5) That the operator shall commence drilling or re-entry operations on the first of the above-described wells on or before the 26th day of July, 1977, and shall thereafter continue such operations with due diligence to completion or abandonment.

PROVIDED HOWEVER, that in the event said operator does not commence drilling or re-entry operations on said well on or before the 26th day of July, 1977, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Commission for good cause shown.

(6) That within 120 days following completion of said first well, operator shall commence operations on the second of said wells.

PROVIDED HOWEVER, that in the event operator fails to complete operations on any of said wells within 120 days after commencement thereof, or if operator fails to commence operations on the next well within 120 days after completing operations on the preceding well, this order shall become null and void as to any unit upon which such delinquent well is located and any other unit or units upon which wells succeeding such delinquent well are located, unless the Commission, for good cause shown, has granted an extension of time for commencement or completion of operations.

(7) That after the effective date of this order and within 30 days prior to commencing operations on the first of the herein authorized wells, and within 30 days prior to commencing operations on each of the succeeding wells, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(8) That within 30 days from the date the schedule of estimated well costs for each well is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated 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 estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(9) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 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 45 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 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(10) That within 60 days following determination of reasonable well costs for 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 operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(11) That the operator is hereby authorized to withhold the following costs and charges from production from each of the herein authorized wells:

(A) The pro rata share of that well's 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 or recompletion of the well, 150 percent of the pro rata share of that well's 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.

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

(13) That \$750.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) of each of the herein authorized wells while drilling or recompletion operations are in progress, and that \$200.00 per month is

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hereby fixed as a reasonable charge for supervision of each well while producing; 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 each such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(14) 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.

(15) 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.

(16) 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.

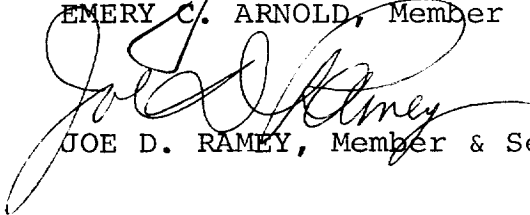
(17) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

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