

Entered August 13, 1981
DAR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 6892 DE NOVO
Order No. R-6366-A

APPLICATION OF MERRION & BAYLESS
FOR COMPULSORY POOLING, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing de novo at 9 a.m. on July 20, 1981, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 13th day of August, 1981, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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 this cause originally came up for hearing on May 21, 1980, in Case No. 6892 before an examiner of the Oil Conservation Division, and as a result of said hearing the Oil Conservation Division issued its Order No. R-6366 pooling all mineral interests in the South Blanco-Pictured Cliffs Pool underlying the SW/4 of Section 27, Township 24 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

(3) That as a result of Order No. R-6366 applicants and protestant herein separately requested a de novo hearing before the Commission; that said requests for de novo hearings were denied by the Commission on the basis that said requests were not timely filed.

(4) That after exhausting their remedies before the Commission, applicants filed their Petition For a Writ of Mandamus

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in the District Court of Rio Arriba County, New Mexico, to compel the Oil Conservation Division to grant them a de novo hearing.

(5) That protestant herein, by and through his attorney, intervened in said district court action as a party of record.

(6) That said district court action was settled by a stipulation of all of the parties thereto that the Commission would grant to the applicants and protestant herein a hearing de novo in Case 6892.

(7) That by its order entered June 18, 1981, the District Court of Rio Arriba County, New Mexico, approved said stipulation and ordered that the Oil Conservation Commission grant a hearing de novo in Case 6892.

(8) That the evidence presented at the Commission hearing resulting from the Order of the District Court demonstrated that Division Order No. R-6366 should be affirmed by the Commission except in the following regards:

a. Finding No. (8) should be amended to read:

"(8) That any non-consenting working interest owner who 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 of the well."

b. Finding No. (11) should be amended to read:

"(11) That \$2700.00 per month while drilling and \$270.00 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 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.

IT IS THEREFORE ORDERED:

(1) That Oil Conservation Division Order No. R-6366 is hereby affirmed except in the following regards:

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a. Order No. (7) is amended to read:

"(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 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, 150 percent 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."

b. Order No. (9) is amended to read:

"(9) That \$2700.00 per month while drilling and \$270.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges 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."

(2) 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

ALEX J. ARMIJO, Member

EMERY C. ARNOLD, Member

JOE D. RAMEY, Member & Secretary

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