

Entered February 23, 1984  
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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 7992  
Order No. R-7456

APPLICATION OF TENNECO OIL COMPANY  
FOR COMPULSORY POOLING, SAN JUAN  
COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 26, 1983, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 23rd day of February, 1984, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Tenneco Oil Company, proposes to drill its Houck Com Well No. 1 at a standard location 1580 feet from the South line and 890 feet from the East line of Section 1, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico, to test the Dakota and Mesaverde formations with the possibility of completing the well as a dual completion.
- (3) That if said well is a Dakota/Mesaverde dual completion, the E/2 of said Section 1 would be dedicated to the Blanco-Mesaverde Pool and the S/2 of said Section 1 would be dedicated to the Basin-Dakota Pool.
- (4) That the respective spacing and proration units for the Mesaverde and Dakota formations in said Section 1 have previously been established by El Paso Natural Gas Company's Florance "E" Well No. 1 located in the NW/4 SW/4 and the Sunray "F" Well No. 3 located in the SE/4 NW/4 of said Section 1.

(5) That all mineral interest owners in the Dakota formation underlying the E/2 of said Section 1 have agreed to pool their interest.

(6) That the applicant seeks an order pooling only those mineral interest owners in the Mesaverde formation underlying the S/2 of aforesaid Section 1.

(7) That there are interest owners in the proposed Mesaverde spacing and proration unit who have not agreed to pool their interest.

(8) That the applicant has the right to drill and proposed to drill a well at a standard location thereon.

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

(10) That the applicant should be designated the operator of the subject well and units.

(11) That since only the Mesaverde interests are being pooled, the applicant proposes that the following estimated well costs allocation formula be established to breakout these costs into a Mesaverde working interest partner's cost and the Dakota working interest partner's costs:

$$\text{Mesaverde Costs} = 1/2 (A) + B$$

Where: A = Estimated common costs  
shared by both the partners  
in the Mesaverde and in the  
Dakota;

B = Estimated Mesaverde only costs.

(12) That any non-consenting Mesaverde 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.

(13) That any non-consenting Mesaverde working interest owner who does not pay his share of estimated well costs as described in Finding No. (11) above, should have withheld from

production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in drilling of the well.

(14) That any Mesaverde 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.

(15) That following determination of reasonable well costs, any Mesaverde non-consenting working interest owner who 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.

(16) That \$3,000.00 per month while drilling and \$400.00 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 Mesaverde 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 Mesaverde non-consenting working interest.

(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.

(18) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before April 30, 1984, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That the applicant, Tenneco Oil Company, is hereby authorized to drill its Houck Com Well No. 1 to test the Dakota and Mesaverde formations, with the possibility of completing the well as a dual completion, at a standard location 1580 feet from the South line and 890 feet from the East line of Section 1, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico.

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(2) That if said well is a Dakota/Mesaverde dual completion, the E/2 of said Section 1 will be dedicated to the Blanco Mesaverde Pool and the S/2 of said Section 1 will be dedicated to the Basin Dakota Pool.

(3) That all mineral interests, whatever they may be, only in the Mesaverde formation underlying the E/2 of said Section 1, are hereby pooled to form a standard 320-acre Blanco Mesaverde gas spacing and proration unit to be dedicated to said Houck Com Well No. 1.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 30th day of April, 1984, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Mesaverde and Dakota formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 30th day of April, 1984, Order (3) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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 Division Director and show cause why Order (3) of this order should not be rescinded.

(4) That Tenneco Oil Company is hereby designated the operator of the subject well and units.

(5) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of all estimated well costs.

(6) That the itemized schedule of well costs shall be prepared to reflect actual well costs separately attributable to the Mesaverde zone and the Dakota zone in accordance with the allocation formula set forth in Finding No. (11) in the Order.

(7) That within 30 days from the date the schedule of estimated well costs is furnished to him, any Mesaverde 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.

(8) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs attributable to each zone within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division 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 Division will determine reasonable well costs after public notice and hearing.

(9) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who 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.

(10) 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, 200 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 appropriate estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(12) That \$ 3,000.00 per month while drilling and \$400.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates);

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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.

(13) 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.

(14) That any Mesaverde well costs or charges which are to be paid out of production shall be withheld only from the Mesaverde working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(15) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



JOE D. RAMEY,  
Director

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