

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:

Reopened
CASE NO. 8476
Order No. R-7836-A

APPLICATION OF CAVALCADE OIL
CORPORATION FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause was reopened and came on for hearing at 8 a.m. on March 27, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 17th day of May, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Case No. 8476 was originally heard on February 13, 1985, and Division Order No. R-7836, dated February 27, 1985, was issued pursuant to that hearing pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the SW/4 NW/4 (Unit E) of Section 18, Township 12 South, Range 38 East, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit, to be dedicated to the Lynx Petroleum Consultants, Inc. Slack Well No. 1 (plugged and abandoned March 6, 1972) located 1980 feet from the North line and 660 feet from the West line of said Section 18 to be re-entered at said standard oil well location.

(3) Said Case No. 8476 is being reopened at this time at the request of the applicant, Cavalcade Oil Corporation, seeking an amendment to said Division Order R-7836 to provide for the above-described 40-acre oil spacing and proration unit to either be dedicated to said Lynx Petroleum Consultants, Inc.

Slack Well No. 1 or, in the alternative, to a new well to be drilled at a standard location on said pooled unit.

(4) No party objected to the proposed amendment.

(5) Due to the difficulty and disorderly nature of issuing an amended Order showing all the appropriate amendments, said Division Order No. R-7836 should be superceded by entry of a new Order.

(6) The applicant has the right to locate a well at a standard location within the designated 40-acre oil proration unit.

(7) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(8) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, 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 oil underlying the proposed spacing and proration unit, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(9) The applicant should be designated the operator of the subsequent well and unit.

(10) 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.

(11) 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 200 percent thereof as a reasonable charge for the risk involved in either re-entering the aforesaid Lynx Petroleum Consultants, Inc. Slack Well No. 1 or in the drilling of a new well.

(12) 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.

(13) Following determination of reasonable well costs, any 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.

(14) \$4000.00 per month while re-entering or drilling and \$400.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); 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.

(15) 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.

(16) Upon the failure of the operator of said pooled unit to commence re-entry operations or the drilling of a new well to which said unit is dedicated on or before July 31, 1985, the order pooling said unit should become null and void and of no effect whatsoever.

(17) Should all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(18) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Wolfcamp formation underlying the SW/4 NW/4 (Unit E) of Section 18, Township 12 South, Range 38 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to either the Lynx Petroleum Consultants, Inc. Slack Well No. 1 (plugged and abandoned March 6, 1972) located 1980 feet from the North line and 660 feet from the West line of said Section 18 to be re-entered at said standard oil well location or, in the alternative, to a new well to be drilled at a standard location on said pooled unit.

PROVIDED HOWEVER THAT, the operator of said unit shall either commence re-entry operations on the Lynx Petroleum Consultants, Inc. Slack Well No. 1 or the drilling of a new well on or before the 31st day of July, 1985, and shall thereafter continue said re-entry or drilling with due diligence in a manner that is sufficient to test the Wolfcamp formation;

PROVIDED FURTHER THAT, in the event said operator does not either commence said re-entry or drilling operations on or before the 31st day of July, 1985, Ordering Paragraph No. (1) 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 either of said wells not be re-entered or drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Cavalcade Oil Corporation is hereby designated the operator of the subject unit and the well dedicated to said unit.

(3) After the effective date of this order and within 90 days prior to commencing re-entry or drilling operations, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs 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 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.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; 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.

(6) 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.

(7) 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 either re-entering the aforesaid Slack Well No.1 or in the drilling of a new 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 estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) \$4000.00 per month while re-entering or drilling and \$400.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); 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.

(10) 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) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of

-6-

Case No. 8476

Order No. R-7836-A

production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; 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.

(13) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(15) Division Order No. R-7836, dated February 27, 1985, is hereby rescinded.

(16) 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



R. L. STAMETS,
Director

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