

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 9351  
ORDER NO. R-8570-A

APPLICATION OF TXO PRODUCTION  
CORPORATION FOR AN AMENDMENT  
TO DIVISION ORDER NO. R-8570,  
LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 30, 1988, at Santa Fe, New Mexico.

NOW, on this 8th day of December, 1988, the Division Director, having considered the testimony and the record,

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) Division Order No. R-8570, issued in Case No. 9233 and dated December 22, 1987, authorized TXO Producing Corporation to re-enter the Mesa Petroleum Company Hightower Well No. 1 located 810 feet from the North line and 660 feet from the East line (Unit A) of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico, deepen the vertical portion of the wellbore and then directionally drill so as to bottom the well in the center of Lot 1 of said Section 4 in the Shipp-Strawn Pool; also said Order pooled all mineral interests in the Shipp-Strawn Pool underlying Lot 1 and the SE/4 NE/4 of said Section 4 forming a standard 80.95-acre oil spacing and proration unit to be dedicated to said well.

(3) The applicant in the immediate case, TXO Production Company, now seeks to amend said Order No. R-8570 to include a provision allowing a new well to be drilled at a standard oil well location on the subject unit since, pursuant to issuance of the original order in this matter, re-entry into the Hightower Well No. 1 was found to be impractical.

(4) On January 30, 1988 the applicant re-entered the subject wellbore and drilled cement to a depth of 1269 feet at which depth junk in the hole was encountered. The applicant attempted unsuccessfully for a week to drill past the problem area. On February 8, 1988, the wellbore was plugged and abandoned for the final time.

(5) On March 9, 1988 a new well was spudded in the subject proration unit.

(6) Approval of the subject application to amend said Order No. R-8570 will prevent the drilling of unnecessary wells and otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Finding Paragraph No. (2) on page 1 of Order No. R-8570 is hereby amended to read in its entirety as follows:

"(2) The applicant, TXO Production Corporation, seeks an order pooling all mineral interests in the Shipp-Strawn Pool underlying Lot 1 and the SE/4 NE/4 of Section 4, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico, to form a standard 80.95-acre oil spacing and proration unit for said pool, to be dedicated to either the Mesa Petroleum Corporation Hightower Well No. 1 located 810 feet from the North line and 660 feet from the East line (Unit A) of said Section 4; if re-entry of said well is unsuccessful, to drill a new well at a standard oil well location in said pooled unit."

(2) Finding Paragraph No. (3) on page 1 of Order No. R-8570 is hereby amended to read in its entirety as follows:

"(3) The applicant proposes to re-enter the Hightower Well No. 1, deepen to a depth of approximately 9600 feet, kick-off and drill in a northerly direction to bottom it within 150 feet of the center of Lot 1 at a depth of approximately 11,400 feet, being a standard oil well location for the Shipp-Strawn Pool."

(3) Finding Paragraph No. (6) on page 2 of Order No. R-8570 is hereby amended to read in its entirety as follows:

"(6) The applicant has a right to develop this acreage and proposes to re-enter, deepen, and directionally drill said well for this purpose or, if unsuccessful, drill a new well."

(4) Finding Paragraph No. (9) on page 2 of Order No. R-8570 is hereby amended to read in its entirety as follows:

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

(5) Finding Paragraph No. (11) on page 2 of Order No. R-8570 is hereby amended to read in its entirety as follows:

"(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 successfully completing a well in the Shipp-Strawn Pool underlying this proration unit."

(6) Finding Paragraph No. (16) on page 3 of Order No. R-8570 is hereby amended to read in its entirety as follows:

"(16) \$4700.00 per month while re-entering, deepening and directionally drilling the Hightower Well and, if said recompletion is unsuccessful, while drilling the new well and \$470.00 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."

(7) Finding Paragraph No. (19) on page 3 of Order No. R-8570 is hereby amended to read in its entirety as follows:

"(19) Upon the failure of the operator of said pooled unit to commence re-entry operations on the aforesaid Hightower Well No. 1 and the subsequent drilling of a new well, if needed, to which said unit is dedicated on or before March 15, 1988, the order pooling said unit should become null and void and of no effect whatsoever."

(8) Decretory Paragraph No. (2) on page 4 of Order No. R-8570 is hereby amended to read in its entirety as follows:

"(2) All mineral interests, whatever they may be, in the Shipp-Strawn Pool underlying Lot 1 and the SE/4 NE/4 of said Section 4, are hereby pooled to form a standard 80.95-acre oil spacing and proration unit to be dedicated to said Hightower Well No. 1, or in the event the applicant is unsuccessful in re-entering said well, to a new well to be drilled at a standard location in said pooled unit.

PROVIDED HOWEVER THAT, the operator of said unit shall commence re-entry operations on said Hightower Well No. 1 or the drilling of a new well on or before the 15th day of March, 1988, and shall thereafter continue said re-entry and/or the drilling of a new well with due diligence to a depth sufficient to test the Shipp-Strawn Pool;

PROVIDED FURTHER THAT, in the event said operator does not commence re-entry or drilling operations on or before the 15th day of March, 1988, Ordering Paragraph No. (2) of this order shall become 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 a well to which the pooled unit is to be dedicated not be carried to completion or abandonment, within 120 days after the commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (2) of this order should not be rescinded."

(9) Decretory Paragraph No. (3) on page 4 of Order No. R-8570 is hereby amended to read in its entirety as follows:

"(3) TXO Production Corporation is hereby designated the operator of the unit and subsequent well dedicated thereto."

(10) Decretory Paragraph No. (4) on page 4 of Order No. R-8570 is hereby amended to read in its entirety as follows:

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

(11) Decretory Paragraph No. (6) on page 5 of Order No. R-8570 is hereby amended to read in its entirety as follows:

"(6) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following the recompletion of the Hightower Well No. 1 and, if necessary, completion of the new 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 reasonable well costs; provided however, 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."

(12) Decretory Paragraph No. (8) on page 5 of Order No. R-8570 is hereby amended to read in its entirety as follows:

"(8) 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 re-entering, deepening and directionally drilling of the Hightower Well No. 1 and if necessary 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

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furnished to him."

(13) Decretory Paragraph No. (10) on page 5 and 6 of Order No. R-8570 is hereby amended to read in its entirety as follows:

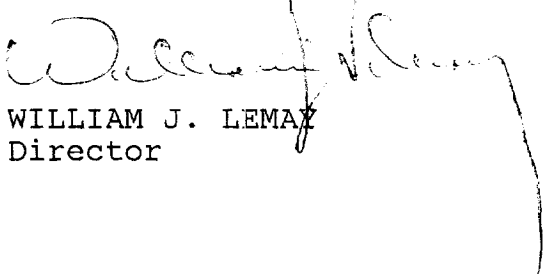
"(10) \$4700.00 per month while re-entering, deepening and directionally drilling said Hightower Well No. 1 and if applicable, while drilling a new well and \$470.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized 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."

(14) The amendments set forth in this order shall be entered retroactive as of December 22, 1987.

(15) 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

  
WILLIAM J. LEMAX  
Director

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