

Continued May 21, 1964
A.S.P.

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. 3032
Order No. R-2706

APPLICATION OF ROBERT G. HANAGAN
FOR FORCE-POOLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 29, 1964, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 15th day of May, 1964, 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, Robert G. Hanagan, seeks an order pooling all mineral interests in the Upper Pennsylvanian formation adjacent to the Indian Hills-Upper Pennsylvanian Gas Pool and underlying Section 32, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and has drilled his Tepee State Well No. 1-D to the Upper Pennsylvanian formation at a surface location 940 feet from the North line and 990 feet from the West line of Section 32, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.
- (4) That there are interest owners in the proposed spacing unit who have not agreed to pool their interests.

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

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That reasonable well costs are \$158,627.46.

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

(9) That any non-consenting working interest owner that elects not to pay his share of reasonable well costs should have withheld from production his share of such costs plus an additional 50 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(10) That \$75.00 per month is the reasonable cost of operating the subject well.

(11) That each non-consenting working interest owner should have his share of the reasonable cost of operating the subject well withheld from production.

(12) 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.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Upper Pennsylvanian formation underlying Section 32, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a 640-acre gas spacing unit, to be dedicated to the Robert G. Hanagan Tepee State Well No. 1-D, located 940 feet from the North line and 990 feet from the West line of said Section 32.

(2) That Robert G. Hanagan is hereby designated the operator of the subject well and unit.

(3) That reasonable well costs are hereby fixed as \$158,627.46.

(4) That within 30 days from the date of this order, any non-consenting working interest owner shall have the right to pay his share of reasonable well costs to the operator in lieu of paying his share of such costs out of production, and that any such owner who pays his share of reasonable well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) 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 reasonable well costs within 30 days after the date of this order.

(B) As a charge for the risk involved in the drilling of the well, 50 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 reasonable well costs within 30 days after the date of this order.

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

(7) That \$75.00 per month is hereby fixed as the reasonable cost of operating the subject well, and the operator is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(8) 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.

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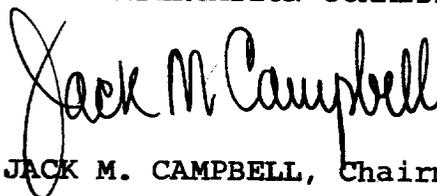
(9) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(10) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy 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.

(11) 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


JACK M. CAMPBELL, Chairman


E. S. WALKER, Member


A. L. PORTER, Jr., Member & Secretary

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