

Entered June 10, 1970
A.H.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. 4328
Order No. R-3971

APPLICATION OF PUBCO PETROLEUM CORPORATION
FOR COMPULSORY POOLING, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 25, 1970, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 10th day of June, 1970, 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 Order No. R-3921, dated February 18, 1970, established a 171.15-acre non-standard gas proration unit in an undesignated Pictured Cliffs gas pool comprising the NW/4 SE/4 and the S/2 SE/4 of Section 33, Township 30 North, Range 14 West, and the NW/4 NE/4 of Section 4, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, dedicated to a well to be drilled within 25 feet of the center of either the SW/4 SE/4 of said Section 33 or the NW/4 NE/4 of said Section 4.

(3) That said Order No. R-3921 further provided that the establishment of said non-standard proration unit was without prejudice to the right of either Dugan Production Corporation or any other owner of mineral interests in either the SE/4 of said Section 33 or the NE/4 of said Section 4 to bring a case

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before the Commission for the compulsory pooling of all mineral interests in either of said quarter sections within 30 days from the date of Order No. R-3921.

(4) That in accordance with the provisions of said Order No. R-3921 the applicant, Pubco Petroleum Corporation, filed a timely application seeking an order pooling all mineral interests in the undesignated Pictured Cliffs gas pool underlying the SE/4 of said Section 33 if a well is drilled to the Pictured Cliffs formation in the SW/4 SE/4 of said Section 33 and an order pooling all mineral interests in the undesignated Pictured Cliffs gas pool underlying the NE/4 of said Section 4 if a well is drilled to the Pictured Cliffs formation in the NW/4 NE/4 of said Section 4.

(5) That the applicant, Pubco Petroleum Corporation, is the owner of a mineral interest in the SE/4 of said Section 33 and the owner of a mineral interest in the NE/4 of said Section 4.

(6) That Dugan Production Corporation is the owner of a mineral interest in both of said quarter sections and has the right to drill and proposes to drill a well in either the SW/4 SE/4 of said Section 33 or the NW/4 NE/4 of said Section 4.

(7) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in the SE/4 of said Section 33 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the undesignated Pictured Cliffs gas pool, all mineral interests, whatever they may be in said pool within the SE/4 of said Section 33 should be pooled, provided a well is drilled in said quarter section.

(8) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in the NE/4 of said Section 4 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the undesignated Pictured Cliffs gas pool, all mineral interests, whatever they may be in said pool within the NE/4 of said Section 4 should be pooled, provided a well is drilled in said quarter section.

(9) That Dugan Production Company should be designated the operator of the well that is drilled and the unit on which the well is located.

(10) That 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) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production from said well his share of the reasonable well costs of said well plus an additional 50% thereof as a reasonable charge for the risk involved in the drilling of the well.

(12) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(13) That following determination of reasonable well costs, any non-consenting working interest owner that 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) That \$100.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) of the well; that the operator should be authorized to withhold from production the proportionate share of such supervision charge 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) 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.

(16) That Order No. R-3921 should be superseded.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the undesignated Pictured Cliffs gas pool underlying the SE/4 of

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Section 33, Township 30 North, Range 14 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 171.93-acre non-standard gas proration unit for said pool to be dedicated to a well to be drilled to the Pictured Cliffs formation within 25 feet of the center of the SW/4 SE/4 of said Section 33, provided said well is drilled.

(2) That all mineral interests, whatever they may be, in the undesignated Pictured Cliffs gas pool underlying the NE/4 of Section 4, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 150.30-acre non-standard gas proration unit for said pool to be dedicated to a well to be drilled to the Pictured Cliffs formation within 25 feet of the center of the NW/4 NE/4 of said Section 4, provided said well is drilled.

(3) That Dugan Production Corporation is hereby designated the operator of the well that is drilled and the unit on which it is located.

(4) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of estimated well costs within 30 days following the date of this order.

(5) That 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 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.

(6) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided, however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(7) That within 30 days following determination of reasonable well costs, any non-consenting working interest owner that 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.

(8) 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, 50% 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.

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

(10) That \$100.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) of the well; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge 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 the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) 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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(12) 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.

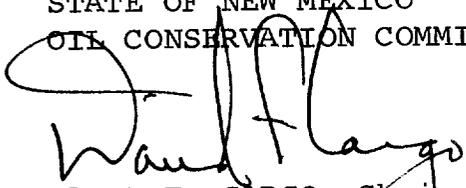
(13) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(14) That Order No. R-3921 is hereby superseded.

(15) 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


DAVID F. CARGO, Chairman


ALEX J. ARMIJO, Member


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

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