

Entered July 17, 1972
C.F.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. 4744
Order No. R-4336

APPLICATION OF YATES PETROLEUM
CORPORATION FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 28, 1972, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 17th day of July, 1972, 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, Yates Petroleum Corporation, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 8, Township 19 South, Range 25 East, NMPM, Boyd-Morrow Gas Pool, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and has drilled its Johnston "BE" Well No. 1 at a location 330 feet from the North line and 330 feet from the East line of said Section 8 to the Morrow formation.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in the E/2 of said Section 8 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, all mineral interest, whatever they may be in the Morrow formation underlying the E/2 of said Section 8 should be pooled.

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 25% thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) 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.

(10) That \$130.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) for the subject 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.

(11) 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 interest, whatever they may be, in the Morrow formation underlying the E/2 of Section 8, Township 19 South, Range 25 East, NMPM, Boyd-Morrow Gas Pool, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas proration unit to be dedicated to the Yates Petroleum Corporation Johnston "BE" Well No. 1, located 330 feet from the North line and 330 feet from the East line of said Section 8.

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 60 days following

the date of this order; that if no objection to the actual well costs is received by the Commission, and the Commission has not objected within 60 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 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(4) That within 60 days from the date the schedule of said actual well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of said actual well costs to the operator in lieu of paying his share of actual well costs out of production, and that any such owner who pays his share of said actual 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 actual well costs attributable to each non-consenting working interest owner who has not paid his share of said actual well costs within 60 days from the date the schedule of actual well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 25% of the pro rata share of actual well costs attributable to each non-consenting working interest owner who has not paid his share of actual well costs within 60 days from the date the schedule of actual well costs is furnished to him.

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

(7) That \$130.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for the subject 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.

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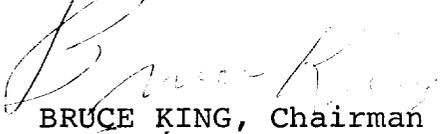
(9) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

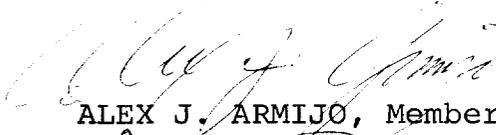
(10) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said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

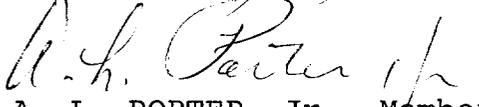
(11) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMIJO, Member


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

S E A L

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