

Entered June 25, 1973

R. L. 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 NOS. 4955, 4956 and 4957
Order No. R-4560

APPLICATION OF PIERCE AND DEHLINGER
FOR NON-STANDARD UNITS OR IN THE
ALTERNATIVE COMPULSORY POOLING,
VADA-PENNSYLVANIAN POOL, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 25, 1973,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 25th day of June, 1973, 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 seeks approval of a 160-acre
non-standard oil proration unit comprising the SW/4 NE/4 and
S/2 NW/4 of Section 13, and the SE/4 NE/4 of Section 14, Town-
ship 9 South, Range 33 East, Vada-Pennsylvanian Pool, Lea
County, New Mexico, to be dedicated to a well to be drilled
in Unit G of said Section 13, or in the alternative, applicant
seeks approval of a 120-acre non-standard unit comprising only
the above-described lands in Section 13, to be dedicated to the
aforesaid proposed well. As an alternative to either of the
above-described non-standard units, applicant seeks an order
pooling all mineral interests in the Vada-Pennsylvanian Pool
underlying the NE/4 of the aforesaid Section 13 to be dedicated
to a well which would be drilled in Unit H of said Section 13.

(3) That the applicant seeks approval of a 160-acre
non-standard oil proration unit comprising the S/2 S/2 of
Section 13, Township 9 South, Range 33 East, Vada-Pennsylvanian
Pool, Lea County, New Mexico, to be dedicated to its Sheridan
Well No. 1, located in Unit M of said Section 13. In the

alternative, applicant seeks an order pooling all mineral interests in the Vada-Pennsylvanian Pool underlying the SW/4 of said Section 13 to be dedicated to said well; and also pooling all said mineral interests underlying the SE/4 of said Section 13 to be dedicated to a well which would be drilled in Unit P of said Section 13.

(4) That the applicant seeks approval of a 160-acre non-standard oil proration unit comprising the S/2 N/2 of Section 24, Township 9 South, Range 33 East, Vada-Pennsylvanian Pool, Lea County, New Mexico, to be dedicated to a well to be drilled in Unit H of said Section 24. In the alternative, applicant seeks an order pooling all mineral interests in the Vada-Pennsylvanian Pool underlying the NE/4 of said Section 24 to be dedicated to the aforesaid proposed well.

(5) That should any or all of the proposed compulsory poolings be approved, the applicant seeks to be named the operator of such well or wells, adoption of a formula for the allocation of well costs and charges for operation, charges for supervision and the establishment of a 200 percent risk factor.

(6) That the operator has the right to drill and proposes to drill the wells which are the subject of this order.

(7) That the approval of either the proposed 160-acre or 120 acre non-standard unit described in Finding (2) above would result in the necessity for the formation of from 1 to 3 additional non-standard units in the N/2 of Section 13 and the NE/4 of Section 14, Township 9 South, Range 33 East, Vada-Pennsylvanian Pool, Lea County, New Mexico.

(8) That offset operators have objected to the formation of each and every one of the proposed non-standard units described in Findings (2), (3), and (4) above.

(9) That to protect correlative rights and to insure the orderly development of the Vada-Pennsylvanian Pool, the application for each and every one of the proposed non-standard units should be denied.

(10) That the alternative applications for the compulsory pooling of the four standard units described in Findings (2), (3), and (4) above should be approved.

(11) That there are interest owners in the proposed proration units who have not agreed to pool their interests.

(12) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said units the opportunity to recover or receive

without unnecessary expense his just and fair share of the oil in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

(13) That the applicant should be designated the operator of the subject wells and units.

(14) 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.

(15) 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 120% thereof as a reasonable charge for the risk involved in the drilling of the well.

(16) That 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.

(17) 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.

(18) That \$125.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); 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 wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

(19) That all proceeds from production from the subject wells 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.

(20) That upon the failure of the operator of said pooled units to commence the drilling of the well to which the unit is to be dedicated on or before September 20, 1973, that portion of the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That the application of Pierce and Dehlinger for each and every one of the proposed non-standard proration units described in Findings (2), (3), and (4) of this order is hereby denied.

(2) That all mineral interests, whatever they may be, in the Vada-Pennsylvanian Pool underlying the NE/4 of Section 13, the SE/4 of Section 13, and the NE/4 of Section 24, Township 9 South, Range 33 East, NMPM, Lea County, New Mexico, are hereby pooled to form three standard 160-acre oil spacing and proration units to be dedicated to wells to be drilled in Unit H and P of said Section 13 and Unit H of said Section 24, respectively.

PROVIDED HOWEVER, that the operator of said units shall commence drilling the first of said wells on or before the 30th day of September, 1973, and shall thereafter continue the drilling of said wells with due diligence to a depth sufficient to test the Vada-Pennsylvanian Pool, allowing not more than 90 days to elapse between the completion of one well and the commencement of the next.

PROVIDED FURTHER, that in the event said operator does not commence the drilling of the first of said wells on or before the 30th day of September, 1973, Order (2) of this order shall be null and void and of no effect whatsoever as to that specific well and unit.

PROVIDED FURTHER, that should any one or more of said wells not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (2) of this order should not be rescinded as to that specific well and unit.

(3) That Pierce and Dehlinger are hereby designated the operators of each of the subject wells and units.

(4) That the operators shall furnish the Commission and each known working interest owner in each separate unit an itemized schedule of estimated well costs at least 30 days but no more than 45 days prior to commencing said well on said unit.

(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 affected known working interest owner an itemized schedule of actual well costs within 90 days following completion of each well; that if no objection to the actual well costs is received by the Commission and the Commission 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 Commission will determine reasonable well costs after public notice and hearing.

(7) That within 60 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 for each individual well and unit 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, 120% 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 for each individual well and unit the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(10) That for each individual well and unit \$125.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); 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 such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) That for each individual well and unit 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.

(12) That for each individual well and unit 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 for each individual well and unit all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea 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.

IT IS FURTHER ORDERED:

(1) That all mineral interests, whatever they may be, in the Vada-Pennsylvanian Pool underlying the SW/4 of Section 13, Township 9 South, Range 33 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard oil spacing and proration unit to be dedicated to applicant's Sheridan Well No. 1 located in Unit M of said Section 13.

(2) That Pierce and Dehlinger are hereby designated the operators of the subject well and unit.

(3) That \$125.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is authorized to withhold from production the proportionate share of the charges for supervision and the actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(4) 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.

(5) 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.

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

(7) 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



I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member



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

S E A L

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