

Entered April 20, 1976

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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. 5603
Order No. R-5202

APPLICATION OF BURLESON & HUFF
FOR COMPULSORY POOLING, A NON-
STANDARD GAS PRORATION UNIT, AND
AN UNORTHODOX LOCATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 20, 1976, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 20th day of April, 1976, 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, Burleson & Huff, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the NW/4 of Section 35, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, and establishing said 160-acre tract as a non-standard gas proration unit for said pool.

(3) That the applicant also seeks the pooling of all mineral interests in the Langlie-Mattix Pool underlying each of the following tracts in said Section 35 to form three standard 40-acre oil proration units:

the NE/4 NW/4, to be dedicated to applicant's Dabbs Well No. 1, located 330 feet from the North line and 2310 feet from the West line of said Section 35;

the SE/4 NW/4, to be dedicated to applicant's Dabbs Well No. 3, located 1980 feet from the North and West lines of said Section 35; and

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the SW/4 NW/4, to be dedicated to a well to be drilled on said tract at a standard Langlie-Mattix Pool location.

(4) That the applicant also seeks authority, in the event re-entry into the aforesaid Dabbs Well No. 1 or Dabbs Well No. 3 is unsuccessful, to drill and complete a replacement well for such unsuccessful re-entry, and to dedicate the appropriate 40-acre tract thereto.

(5) That the applicant further seeks to dedicate the 160-acre tract described in Finding No. (2) above to its Dabbs Well No. 1 or to its Dabbs Well No. 3, or to the replacement well thereof, or to the new well which is proposed to be drilled in the SW/4 NW/4 of said Section 35, after determining which of said wells is to be dually completed to produce gas from the Jalmat Gas Pool and oil from the Langlie-Mattix Pool.

(6) That the applicant has the right to drill or re-enter as described above, and proposes to do so.

(7) That there are interest owners in the proposed 160-acre gas proration unit and the three 40-acre oil proration units who have not agreed to pool their interests.

(8) 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 hydrocarbons in the Jalmat Gas Pool and the Langlie-Mattix Pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

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

(10) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well drilling or recompletion 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 his share of the reasonable well costs plus an additional 150 percent thereof as a reasonable charge for the risk involved in the drilling or recompletion of the wells.

(12) 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.

(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 \$600.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling or recompleting operations are in progress on a well, and that \$100.00 per month per well should be fixed as a reasonable charge for supervision while producing; 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 the applicant should be allowed 90 days after date of entry of this order in which to commence operations on the first of the subject wells; that it should be allowed 120 days after commencement of operations on any of said wells within which to complete such operations; and that it should be allowed 120 days after completion of operations on one well within which to commence operations on the next.

(17) That upon failure of applicant to comply with any part of the time schedule hereinabove described, unless extension thereto has been granted by the Commission for good cause shown, this order should become null and void as to the remainder of the well or wells, or unit or units, involved.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Jalmat Gas Pool underlying the NW/4 of Section 35, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a non-standard 160-acre gas spacing and proration unit.

(2) That all mineral interests, whatever they may be, in the Langlie-Mattix Pool underlying the NE/4 NW/4 of the aforesaid Section 35 are hereby pooled to form a standard 40-acre oil proration unit to be dedicated to applicant's Dabbs Well No. 1, located 330 feet from the North line and

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2310 feet from the West line of said Section 35, or in the event re-entry of said well is unsuccessful, to a new well to be drilled at a standard Langlie-Mattix location on said 40-acre tract.

(3) That all mineral interests, whatever they may be, in the Langlie-Mattix Pool underlying the SE/4 NW/4 of the aforesaid Section 35 are hereby pooled to form a standard 40-acre oil proration unit to be dedicated to applicant's Dabbs Well No. 3, located 1980 feet from the North line and 1980 feet from the West line of said Section 35, or in the event re-entry of said well is unsuccessful, to a new well to be drilled at a standard Langlie-Mattix location on said 40-acre tract.

(4) That all mineral interests, whatever they may be, in the Langlie-Mattix Pool underlying the SW/4 NW/4 of the aforesaid Section 35 are hereby pooled to form a standard 40-acre oil proration unit to be dedicated to a well to be drilled at a standard Langlie-Mattix location on said 40-acre tract.

(5) That the 160-acre non-standard gas proration unit approved and pooled by Order No. (1) above shall be dedicated to one of the wells described in Orders Nos. (2), (3), and (4) above, provided that said well has been dually completed to produce from the Jalmat Gas Pool and from the Langlie-Mattix Pool and the dual completion thereof has been approved by the Commission.

(6) That the location of the Dabbs Well No. 1, described in Order No. (2) above, is hereby approved as an unorthodox Jalmat Gas Pool location in the event that said Dabbs Well No. 1 becomes the dedicatory well for the 160-acre gas proration unit herein approved and pooled.

(7) That Burleson & Huff is hereby designated the operator of the above-described wells and units.

(8) That the operator shall select the sequence in which operations are carried out on each of the pooled units and the wells thereon.

(9) That the operator shall commence drilling or re-entry operations on the first of the above-described three wells on or before the 19th day of July, 1976, and shall thereafter continue such operations with due diligence to completion or abandonment.

PROVIDED HOWEVER, that in the event said operator does not commence drilling or re-entry operations on said well on or before the 19th day of July, 1976, Order (1) of this order shall be null and void and of no effect whatsoever, unless



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said operator obtains a time extension from the Commission for good cause shown.

(10) That within 120 days following completion of said first well, operator shall commence operations on the second of the three herein authorized wells and within 120 days following completion thereof, shall commence operations on the third of said wells.

PROVIDED HOWEVER, that in the event operator fails to complete operations on any of said wells within 120 days after commencement thereof, or if operator fails to commence operations on the next well within 120 days after completing operations on the preceding well, this order shall become null and void as to any unit upon which such delinquent well is located and any other unit or units upon which wells succeeding such delinquent well are located, unless the Commission, for good cause shown, has granted an extension of time for commencement or completion of operations.

(11) That after the effective date of this order and within 30 days prior to commencing operations on the first of the herein authorized wells, and within 30 days prior to commencing operations on each of the succeeding wells, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(12) That within 30 days from the date the schedule of estimated well costs for each well 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.

(13) That the operator shall furnish the Commission and each 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.

(14) That within 60 days following determination of reasonable well costs for each well, 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

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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.

(15) That the operator is hereby authorized to withhold the following costs and charges from production from each of the herein authorized wells:

- (A) The pro rata share of that well's 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 or recompletion of the well, 150 percent of the pro rata share of that well's 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.

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

(17) That \$600.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) of each of the herein authorized wells while drilling or recompletion operations are in progress, and that \$100.00 per month is hereby fixed as a reasonable charge for supervision of each well while producing; 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 each such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(18) 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.

(19) 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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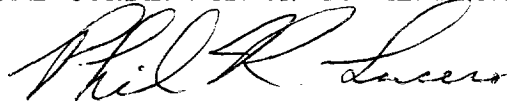
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(20) That all proceeds from production from each of the subject wells which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

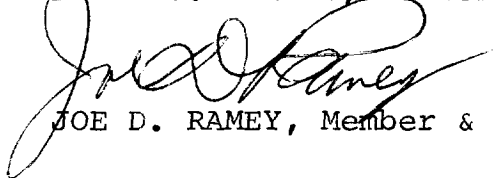
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member



JOE D. RAMEY, Member & Secretary

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