

Entered September 27, 1977
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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. 6030
Order No. R-5537

APPLICATION OF BURLESON & HUFF
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 14, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 27th day of September, 1977, 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 underlying the SE/4 SE/4 of Section 4, Township 25 South, Range 37 East, NMPM, Langlie-Mattix Pool, Lea County, New Mexico to form a standard 40-acre oil proration unit to be dedicated to applicant's Smith Well No. 1 located 660 feet from the South line and 660 feet from the East lines of said Section 4, or in the alternative, to another well to be drilled at a standard location thereon.

(3) That the applicant has both the right to, and proposes to, re-enter said Smith Well No. 1 or to drill a new well at a standard location within the SE/4 SE/4 of said Section 4.

(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 said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil and gas in said pool, 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 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.

(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 100 percent thereof as a reasonable charge for the risk involved in the recompletion of the existing well or the drilling of the new well.

(9) 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.

(10) 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.

(11) That \$1000.00 per month while recompleting or drilling and \$175.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges 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.

(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.

(13) That upon the failure of the operator of said pooled unit to commence recompletion or drilling operations on the well to which said unit is dedicated on or before December 31, 1977, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the lowermost 100 feet of the Seven Rivers formation and all of the Queen formation underlying the SE/4 SE/4 of Section 4, Township 25 South, Range 37 East, NMPM, Langlie-Mattix Pool, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to applicant's Smith Well No. 1 to be re-entered at a location 660 feet from the South line and 660 feet from the East line of said Section 4 or, in the alternative, to a new well to be drilled by the applicant at a standard location within the SE/4 SE/4 of said Section 4.

PROVIDED HOWEVER, that the operator of said unit shall commence the re-entry or drilling of said proposed well on or before the 31st day of December, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the lower Seven Rivers and Queen formations;

PROVIDED FURTHER, that in the event said operator does not commence the re-entry or drilling of said proposed well on or before the 31st day of December, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

PROVIDED FURTHER, that should said proposed well not be carried to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Burleson & Huff are hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) 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.

(5) 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 the 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.

(6) 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.

(7) 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, 100 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 estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1000.00 per month while drilling or recomple-
tion operations are in progress and \$175.00 per month while
producing are hereby fixed as reasonable charges for super-
vision (combined fixed rates); that the operator is hereby
authorized to withhold from production the proportionate
share of such supervision charges 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.

(10) 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.

(11) 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.

(12) 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.

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

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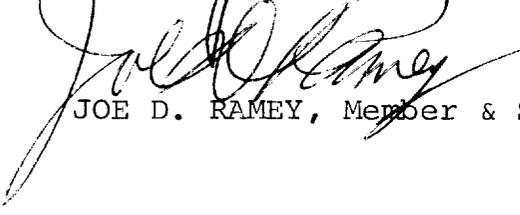
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman



EMERY C. ARNOLD, Member



JOE D. RAMEY, Member & Secretary

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