

Entered April 30, 1980

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6846
Order No. R-6333

APPLICATION OF DOYLE HARTMAN FOR
TWO COMPULSORY POOLINGS, TWO NON-STANDARD
GAS PRORATION UNITS, AND TWO UNORTHODOX
WELL LOCATIONS, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 9, 1980,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of April, 1980, the Division
Director, 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 Division has jurisdiction of this cause and the
subject matter thereof.
- (2) That in this case the applicant, Doyle Hartman,
applied for an order pooling all mineral interests in the
Eumont Gas Pool underlying two 80-acre non-standard gas prora-
tion units, the first being the S/2 NE/4 of Section 13, Township
21 South, Range 36 East, to be dedicated to a well to be drilled
at an unorthodox location 1650 feet from the North line and 2310
feet from the East line of said Section 13, and the second being
the N/2 NE/4 of said Section 13 to be dedicated to a well to be
drilled at an unorthodox location 330 feet from the North line
and 2310 feet from the East line of said Section 13.
- (3) That the applicant has the right to drill and proposes
to drill on the aforesaid lands.
- (4) That there are interest owners in the proposed proration
units who have not agreed to pool their interests.

(5) That at the hearing the applicant was permitted to amend each of the above-described unorthodox locations to a new position less unorthodox than originally requested and less likely to impair correlative rights than the original locations; and that said amended unorthodox locations would be 1650 feet from the North line and 1980 feet from the East line of Section 13, and 330 feet from the North line and 1980 feet from the East line of Section 13, respectively.

(6) That there is no necessity for the formation of two 80-acre non-standard proration units in the NE/4 of Section 13, nor for an order pooling all mineral interests in the Eumont Gas Pool underlying each of the proposed 80-acre units, inasmuch as all ownership throughout the NE/4 of said Section 13 is identical throughout, and the purposes of conservation would be served more adequately by the approval of a single 160-acre non-standard unit comprising said lands and an order pooling all mineral interests underlying the NE/4 of said Section 13.

(7) That there is an old Eumont Gas well which has not been plugged and abandoned on said lands, being the Getty Oil Company Marshall Well No. 1 located in Unit G of Section 13, and the NE/4 of Section 13 is dedicated to this temporarily abandoned well.

(8) That because of the aforesaid old well, if the applicant is to obtain an NGPA gas well category determination as a new onshore production well for either or both of the wells proposed in this case, it will be necessary to obtain findings as to the necessity for either or both of said wells after they have been drilled.

(9) That the application for two 80-acre non-standard gas proration units and two compulsory poolings should be denied and an order entered approving one 160-acre non-standard gas proration unit comprising the NE/4 of Section 13, Township 21 South, Range 36 East, NMPM, and pooling all mineral interests in the Eumont Gas Pool thereunder, said unit to be dedicated to two wells to be drilled at unorthodox locations, one being 1650 feet from the North line and 1980 feet from the East line of said Section 13 and the other being 330 feet from the North line and 1980 feet from the East line of Section 13, provided however, that the well proposed to be drilled at a point 1650 feet from the North line and 1980 feet from the East line should be drilled first, and the second well should not be drilled until a reasonable period of time has elapsed in which to evaluate the production characteristics of the first well.

(10) That such an order would avoid the drilling of unnecessary wells, would protect correlative rights, and would 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 gas in said pool.

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

(12) That with respect to each well individually, 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.

(13) That with respect to each well, 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 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(14) That with respect to each well, 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.

(15) That with respect to each well, 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.

(16) That \$3000.00 per month while drilling and \$375.00 while producing should be fixed as reasonable charges for supervision (combined fixed rates) for each well; 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 wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

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(17) 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.

(18) That upon the failure of the operator of said pooled unit to commence drilling of the first well herein authorized to which said unit is dedicated on or before July 15, 1980, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That the application of Doyle Hartman to pool all mineral interests, whatever they may be, in the Eumont Gas Pool underlying two 80-acre non-standard gas proration units, the first being the S/2 NE/4 of Section 13, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 1980 feet from the East line of said Section 13 and the second being the N/2 NE/4 of said Section 13 to be dedicated to a well to be drilled at an unorthodox location 330 feet from the North line and 1980 feet from the East line of said Section 13 is hereby denied.

(2) That all mineral interests, whatever they may be, in the Eumont Gas Pool underlying the NE/4 of Section 13, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled to form a 160-acre non-standard gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 1980 feet from the East line of said Section 13.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of July, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Eumont Gas Pool.

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of July, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

(3) That Doyle Hartman is hereby designated the operator of the subject well and unit.

(4) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(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 Division 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 Division and the Division 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 Division 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 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, 200 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.

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

(10) That \$3000.00 per month while drilling and \$375.00 per month while producing are hereby fixed as reasonable charges for supervision (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.

(11) That upon completion of the well authorized in Order No. (2) above, and after a reasonable period of time in which to evaluate its production characteristics and reserves, the applicant is authorized to drill a second well on the pooled lands, said well to be drilled at an unorthodox location 330 feet from the North line and 1980 feet from the East line of Section 13, and to simultaneously dedicate both wells to the spacing and proration unit with the option to produce the unit allowable from either well in any proportion.

PROVIDED HOWEVER, that within 30 days prior to commencing the second well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of the second well's estimated costs, and

PROVIDED FURTHER, that the provisions of Orders Nos. (5) through (10) above shall apply to the second such well drilled on the unit, in the same manner as they apply to the first well and as though the second well were the only well on the unit.

PROVIDED FURTHER, that within ten days after receipt of such estimate of well costs, any working interest owner in the proration unit who objects to the commencement of the second well on the grounds of an insufficient evaluation of the first well may lodge such objection with the operator and the Division Director, whereupon the Division Director shall arbitrate the differences or, if necessary, set the matter for hearing.

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(12) 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.

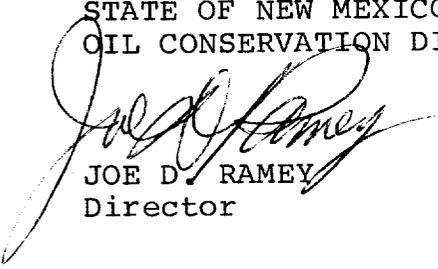
(13) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(14) That all proceeds from production from the subject wells which are not disbursed for any reason shall immediately 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 Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY
Director

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