

Entered May 22, 1980  
JRK

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. 6843  
Order No. R-6346

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 7, 1980,  
at Santa Fe, New Mexico, before Examiner, Daniel S. Nutter.

NOW, on this 22nd day of May, 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 the applicant, Yates Petroleum Corporation,  
seeks an order pooling all mineral interests in the Yeso  
formation underlying two 40-acre proration units, the first  
being the SE/4 SE/4 and the second being the SW/4 SE/4 of  
Section 6, Township 19 South, Range 25 East, NMPM, Penasco  
Draw Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and  
proposes to drill a well at a standard location on each of  
the aforesaid units.

(4) That there are interest owners in the proposed  
proration units 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 units.

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

(7) That any non-consenting working interest owner in each of the pooled units 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 who 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.

(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 who 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 \$2,000.00 per month while drilling and \$200.00 per month 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.

(12) That all proceeds from production from each of 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.

(13) That upon the failure of the operator to commence drilling of the Rushing "NJ" Well No. 1 to which the SW/4 SE/4 of Section 6 is to be dedicated on or before August 1, 1980, the order pooling both of the subject units should become null and void and of no effect whatsoever.

(14) That upon failure of the operator to commence drilling of the Rushing "NJ" Well No. 2 within 60 days after putting Rushing "NJ" Well No. 1 on production, the order pooling the SE/4 SE/4 of Section 6 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 Yeso formation underlying two 40-acre proration units, the first being the SE/4 SE/4 and the second being the SW/4 SE/4 of Section 6, Township 19 South, Range 25 East, NMPM, Penasco Draw Field, Eddy County, New Mexico, are hereby pooled to form two standard 40-acre oil spacing and proration units, each to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of the SW/4 SE/4 of said Section 6 shall commence the drilling of a well thereon, being the Rushing "NJ" Well No. 1, on or before the first day of August, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Yeso formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of August, 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 90 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.

PROVIDED FURTHER, that the operator of the SE/4 SE/4 of said Section 6 shall, within 60 days after putting the afore-said Rushing "NJ" Well No. 1 on production, commence the drilling of a well thereon, being the Rushing "NJ" Well No. 2,

and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Yeso formation.

PROVIDED FURTHER, that in the event said operator does not commence said Rushing "NJ" Well No. 2 within said 60-day period, Order (1) of this order shall be null and void and of no effect whatsoever with respect to the SE/4 SE/4 of Section 6, Township 19 South, Range 25 East, NMPM, 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 90 days after the commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded with respect to the SE/4 SE/4 of said Section 6.

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

(3) That after the effective date of this order and within 90 days prior to commencing each of said wells, the operator shall furnish the Division and each known working interest owner in the appropriate 40-acre 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 within that particular well's unit 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 Division and each known working interest owner within the applicable 40-acre unit 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.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who 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 for each well, 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.

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

(9) That \$2,000.00 per month while drilling and \$200.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates) for each of the subject wells; 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.

-6-

Case No. 6843  
Order No. R-6346

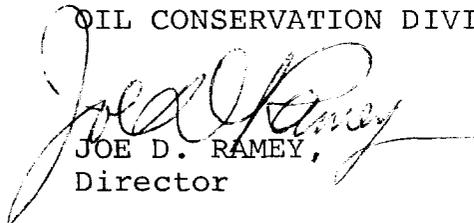
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

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

(13) 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

S E A L

dr/