

Entered August 9, 1983
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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
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 7925
Order No. R-7326

APPLICATION OF CHAMA PETROLEUM
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 27, 1983, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 9th day of August, 1983, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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, Chama Petroleum Company, seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the E/2 of Section 22, Township 19 South, Range 25 East, NMPM, Undesignated Pool, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to re-enter a plugged and abandoned well located 1980 feet from the North and East lines of said Section 22.
- (4) That Anadarko Production Company in companion Case 7914 proposes to re-enter and utilize said plugged and abandoned well as a salt water disposal well.
- (5) That Cases 7914 and 7925 were consolidated for the purpose of obtaining testimony.
- (6) That the testimony indicated potential oil and gas zones in said well.

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- (7) That potential oil and gas zones should be tested/produced before said well is utilized as a salt water disposal well.
- (8) That the application in Case 7925 should be granted.
- (9) That no action should be taken in Case 7914 until the potential for the production of oil and gas in said well has been analyzed.
- (10) That the proposed 320-acre spacing unit would apply to and should only be approved in the Wolfcamp, Pennsylvanian and Mississippian formations.
- (11) That a standard oil spacing unit in the Cisco-Canyon formation (Upper Pennsylvanian) or a shallow gas proration unit would consist of the 160 acres being the NE/4 of said Section 22.
- (12) That a standard oil spacing unit in any other formation would consist of 40 acres being the SW/4 NE/4 of said Section 22.
- (13) That a 40-acre oil spacing unit, a 160-acre shallow gas or Cisco-Canyon formation oil spacing unit, and a 320-acre Wolfcamp-Mississippian gas spacing unit should each be pooled as described in the three preceding findings.
- (14) That there are interest owners in the proposed proration units who have not agreed to pool their interests.
- (15) 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 and/or gas in any appropriate pool covered by said units, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.
- (16) That the applicant should be designated the operator of the subject well and units.
- (17) 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.

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(18) 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 re-entry of the well.

(19) 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.

(20) 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.

(21) That \$4343.00 per month while re-entering and \$465.00 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.

(22) 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.

(23) That upon the failure of the operator of said pooled units to commence re-entry of the well to which any of said units is dedicated on or before August 31, 1983, the order pooling said unit should become null and void and of no effect whatsoever.

THE COMMISSION FURTHER FINDS:

(24) That the cement behind the production casing should be circulated to the surface or tied back into the intermediate casing in said well.

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(25) That perforated non-commercial zones above and below the Cisco-Canyon formation should be squeeze cemented or isolated with a bridge plug capped with five sacks of cement.

(26) That no production casing should be recovered from the well.

IT IS THEREFORE ORDERED:

(1) That all appropriate mineral interests, whatever they may be, underlying the three following described spacing and proration units are hereby pooled to form the designated units which may be dedicated, as indicated below, to a well to be re-entered at a location 1980 feet from the North and East lines of Section 22, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico:

- A. Unit No. 1 being a 40-acre oil proration unit applicable in any formation, other than the Cisco-Canyon, from the surface to the base of the Mississippian formation consisting of the SW/4 NE/4 of said Section 22.
- B. Unit No. 2 being a 160-acre gas proration unit applicable from the surface to the top of the Wolfcamp formation and/or a 160-acre oil proration unit applicable in the Cisco-Canyon formation consisting of the NE/4 of said Section 22.
- C. Unit No. 3 being a 320-acre gas proration unit applicable from the top of the Wolfcamp formation to the base of the Mississippian formation consisting of the E/2 of said Section 22.

PROVIDED HOWEVER, that the operator of said units shall commence the re-entry of said well on or before the 31st day of August, 1983, and shall thereafter continue the re-entry process of said well with due diligence to a depth sufficient to test the Morrow or shallower formations;

PROVIDED FURTHER, that in the event said operator does not commence the re-entry of said well on or before the 31st day of August, 1983, 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.

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PROVIDED FURTHER, that should said well not be completed, or abandoned, 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.

(2) That Chama Petroleum Company is hereby designated the operator of the subject well and units.

(3) That after the effective date of this order and within 10 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.

(4) That within 15 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 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.

(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 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

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date the schedule of estimated well costs is furnished to him.

- (B) As a charge for the risk involved in the re-entry 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 \$4343.00 per month while re-entering and \$465.00 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.

(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 interest's 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 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 the cement behind the production casing shall be circulated to the surface or tied back into the intermediate casing.

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(14) That perforated non-commercial zones above and below the Cisco-Canyon formation shall be squeeze cemented or isolated with a bridge plug capped with five sacks of cement.

(15) That no production casing shall be recovered from the well.

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

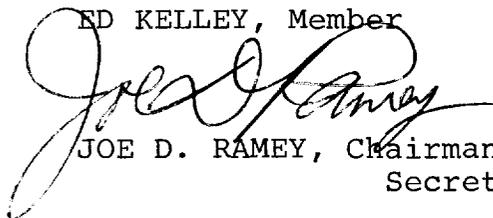
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member



ED KELLEY, Member



JOE D. RAMEY, Chairman and
Secretary

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