REPORE THE OIL COMSERVATION COMMISSION OF THE STATE OF MEN MEXICO

IN THE HATTER OF THE HEARING CALLED BY THE OIL COMSERVATION CONGLISSION OF MEN MEXICO FOR THE PURPOSE OF COMSIDERING:

> CASE No. 2611 Order No. R-2298

APPLICATION OF SOUTHWEST PRODUCTION COMPANY FOR A FORCE-POOLING ORDER, SAM JUAN COUNTY, MAN MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock h.m. 300 July 26, 1962, at cants Fe. Hew Mexico, before Elvis A. Utz. Examiner duly appointed by the Oil Conservation Conservation appointed by the Oil Conservation Commission of New Merico, hereinafter referred to as the 'Commission,' in accordance with Rule 1214 of the Commission Rules and Regulations.

MOW, on this day of August, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the resonmendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FIEDS:

- (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, Southwest Production Company, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool in the W/2 of Section 9, Township 30 North, Range 11 West, BROM, San Juan County, Ber Mexico.
- (3) That the applicant has made diligent effort to identify and to locate all owners of interest in the proposed proration unit.
- (4) That the applicant has made fair and reasonable offers to lease or to communitize with respect to each non-consenting interest owner whose identity and address is known.
- (5) That although the applicant has made fair and reasonable offers and has been diligent in its efforts to form the proposed proration unit, there remain non-consenting interest owners in the subject proration unit who have not agreed to the pooling of their interests.

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- protect correlative rights, and to afford to the owner of each interest in said promation unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the Basin-Dakota Gas Pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (7) That the applicant proposes to dedicate the subject proration unit to its Sam Cooley Hell No. 1, located 1865 feet from the South line and 1310 feet from the Hest line of said Section 9.
- (8) That the applicant seeks permission to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of the costs of said well has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.
- (9) That \$75.00 per month should be fixed as the cost of operating the subject well and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.
- (10) That the applicant should furnish the Commission and each known non-consenting working interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of this order.
- (11) That any non-consenting working interest owner should be afforded the opportunity to pay his share of well costs within 30 days from the date the schedule of well costs is furnished him by the applicant in lieu of paying his share of costs out of production.
- electing to pay his share of well costs within 30 days from the date said schedule is furnished him should have his share of the well costs withheld from production plus 25 percent thereof as a reasonable charge for the risk involved in the drilling of the well.
- (13) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrew in San Juan County. New Mexico, to be paid to the true owner thereof upon demand and proof of ownership.
- (14) That Southwest Production Company should be designated the operator of the subject well and unit.

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IT IS THEREFORE ORDERED.

- the Basim-Dekota Gas Pool in the W/2 of Section 9, Township 30 North, Range 11 West, HMFM, San Juan County, New Mexico, are hereby pooled to form a 330-acre gas prorution unit. Said unit shall be dedicated to the Sam Cooley Well Hamily located 1865 feet from the South line and 1310 feet from the West line of said Section 9.
- (2) That Southwest Production Company is hereby designated the operator of the subject well and unit.
- (3) That Southwest Production Company is hereby authorized to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of well costs has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.
- (4) That \$75.00 per month is fixed as the cost of operating the subject well, and Southwest Production Company is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-commenting working interest.
- (5) 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) 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.
- (7) That the applicant shall furnish the Commission and each known non-consenting working interest owner in the subject unit an itemised schedule of well costs within 30 days following the date of this order.
- have the right to pay his share of well costs to Southwest Production Company within 30 days from the date the schedule of well costs is furnished him by Southwest Production Company, in lieu of paying his share of well costs out of production. In the event any such owner elects to pay his share of well costs as provided for in this paragraph, he shall remain liable for operating costs but shall not be liable for risk charges.
- (9) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow

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- (1) That all minaral interes as wherever that any contents and contents project to form a 320-acre gas projection unit, and contents be deducated to the men looker sell wo. 1, located and lest from the sauth line and lest foot from the south line and lest foot from the section 9.
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- (5) that any unsevered mineral interest about to consider a service of accountable (17) working interest and a ane-eighth (17) of the interest for the purpose of allegating content and cluster and cluster of this order.
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 - (7) That the applicant shall forming the loss isoton of and have a loss isoton of any interpolation of an itemised schedule of anil costs within 40 days follow the che of this order.
- (8) That any non-consonting working incared twhether any the court the right to pay his share of wall costs to scatter. We income the respective to scatter the content of costs of the respective to the company, in the costs of the charte of sall costs out of production. In case of sall costs out of production, in the case where of wall costs to pay his charte of wall costs to pay his charte of wall costs of sale for the costs of t
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in Sam Juan County, New Maxico, to be paid to the true owner thereof upon demand and proof of ownership. The Countsion shall be notified as to the name and address of said escrow agent.

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

poss at Sants Fe, New Maxico, on the day and year hereinabove designated.

> STATE OF MEW MEXICO OIL COMSERVATION COMMISSION

EDWIE L. MECHEM, Chairman

E. S. WALKER, Momber

A. L. PORTER, Jr., Member & Secretary

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