

CASE 5933: YATES PETROLEUM CORPORATION  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO

Case Number

5933

Application

Transcripts

Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
May 25, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corpora- ) CASE  
tion for compulsory pooling, Eddy ) 5933  
County, New Mexico. )

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: Lynn Teschendorf, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant: A. J. Losee, Esq.  
LOSEE & CARSON, P.A.  
Attorneys at Law  
300 American Home Building  
Artesia, New Mexico

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General Court Reporting Service  
825 Calle Mojia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

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I N D E X

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SCOTT WILSON

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EDDIE MAHFOOD

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EXHIBIT INDEX

Offered      Admitted

Applicant Exhibit One, AFE 10 12

Applicant Exhibit Two, Log 11 12

Applicant Exhibit Three, Four-Point Test 11 12

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1 MR. STAMETS: We will call next Case 5933.

2 MS. TESCHENDORF: Case 5933, application of Yates  
3 Petroleum Corporation for compulsory pooling, Eddy County,  
4 New Mexico.

5 MR. LOSEE: A. J. Losee appearing on behalf of the  
6 applicant and I have two witnesses, the same witnesses that  
7 were sworn in Case 5932.

8 MR. STAMETS: The record will show that they were  
9 previously sworn and are sworn in this case.

10  
11 SCOTT WILSON

12 called as a witness, having been first duly sworn, was examined  
13 and testified as follows:

14  
15 DIRECT EXAMINATION

16 BY MR. LOSEE:

17 Q Mr. Wilson, you are the same Scott Wilson that  
18 testified in the previous Case 5932?

19 A Yes, sir.

20 Q Would you briefly state what's the purpose of this  
21 application in this 5933?

22 A Compulsory pooling of the M. C. Parrish, Jr. trust  
23 interest and the Arthur Olivares individual interest under  
24 the Hunter "FL" Morrow well completed in the west half of  
25 Section 15, 17 South, 26 East.

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1 Q That well is already on production, is it not?

2 A Yes, sir.

3 Q What parties and what interests do they hold in the  
 4 proration unit that you are proposing to force pool?

5 A The Parrish Trust interest owns a one point one  
 6 seven one eight seven five percent interest and Arthur Olivares  
 7 owns a point three one two five percent interest.

8 Q Okay. Have you been able to locate Mr. Olivares

9 A No, sir, we have been unsuccessful. He acquired  
 10 his property under the estate of a friend and I've made all  
 11 possible contacts to my knowledge, five telephone calls, two  
 12 letters to addresses at which he was formerly located and have  
 13 been unsuccessful in any attempts to find him.

14 Q Do you know which portion of the tract his interest is  
 15 under?

16 A Offhand I don't believe I do.

17 Q I'll see if I can help you.

18 A I can probably tell you, I think I've got it in my  
 19 notes here.

20 Q Is he under the same tract as the Parrish?

21 A No, he's not.

22 Q Okay, his interest is really a third of one percent,  
 23 it's really a little less than that, is it not?

24 A Yes, it is, his interest is actually only one acre  
 25 out of a three hundred and twenty acre proration unit.

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1 Q Okay, let's go ahead to the next question. Have  
2 you been able to contact the M. C. Parrish, Jr. Trust?

3 A Yes, we contacted them and at one time had  
4 presumably negotiated a deal for one hundred dollars an acre  
5 and a quarter royalty for a thirty-day lease and it was  
6 executed and sent back to us with the shut-in royalty clause  
7 amended to include a hundred dollar per acre per annum shut-in  
8 royalty provision which was unacceptable to us and sent back  
9 and we since have been unable to negotiate a lease.

10 Q Okay. You don't have a joint operating agreement  
11 on this well, do you?

12 A No, sir.

13 Q In the Case 5932 you testified as to what charges  
14 were being made, what is the charge for a drilling well?

15 A Fifteen hundred dollars.

16 Q Per month?

17 A Per month.

18 Q And a producing well?

19 A Two hundred and ten dollars per month.

20 Q In your opinion are those reasonable charges and  
21 customarily made for Morrow wells in the area of the Hunter  
22 "FL"?

23 A Yes, sir.

24 MR. STAMETS: Now that he has given his opinion  
25 you will have to qualify him.

1 Q (Mr. Losee continuing.) Okay, Mr. Wilson, where did  
2 you attend college and what degrees?

3 A A Bachelor of Business Administration from the  
4 University of New Mexico with a major in accounting and a  
5 second Bachelor of Business Administration from the University  
6 of Texas with a major in petroleum land management.

7 Q What year on the second one?

8 A The second one, I graduated in 1973.

9 Q Since you graduated from school what has been your  
10 occupation?

11 A Landman.

12 Q For what companies?

13 A I worked for Tenneco Oil Company for two and a half  
14 years and Yates Petroleum for a year and a half.

15 Q Where was your work with Tenneco?

16 A Bakersfield, California.

17 Q And in what fields, as landman?

18 A As a landman.

19 Q And then with Yates Petroleum Corporation for the  
20 past year and a half in the same capacity?

21 A Yes, sir.

22 Q And operating in southeastern New Mexico?

23 A Yes, sir.

24 Q Have you attended any landman seminars?

25 A Yes, sir, one seminar on basic land management and

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1 another on oil and gas contracts.

2 Q Where was the basic land management seminar and who  
3 gave it?

4 A It was the Institute for Continuing Education put on  
5 by the University of Oklahoma, actually on their facilities  
6 at Norman, Oklahoma.

7 Q And how long was that seminar?

8 A One week.

9 Q What was the other seminar and who gave it and what  
10 period?

11 A It was AAPL sponsored, as a matter of fact both of  
12 them were and the second one was in Denver, Colorado for one  
13 week.

14 MR. LOSEE: Are Mr. Wilson's qualifications as a  
15 landman acceptable?

16 MR. STAMETS: He certainly appears to be a well  
17 qualified landman.

18 MR. LOSEE: I appreciate the qualifications because  
19 I'm going to ask him the risk factor.

20 MR. STAMETS: However, I think we do need to determine  
21 whether or not the drilling charges and the production charges  
22 are within the scope of his expertise with his employer, Yates  
23 Petroleum Corporation.

24 Q (Mr. Losee continuing.) Is part of your responsibility  
25 as an employee of Yates Petroleum Corporation to prepare joint

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1 operating agreements with Yates as an operator?

2 A Yes, sir, I can almost say exclusively here in recent  
3 times the past year. My experience has been centered solely  
4 around putting drilling deals together and preparing operating  
5 agreements in which there is always an accounting procedure  
6 attached which designates overhead rates and as a matter of  
7 fact, current overhead rates which we are now using are eighteen  
8 hundred and seventy-eight dollars for a drilling well and two  
9 seventy-eight for a producing well so this is under what we  
10 are now getting.

11 Q Is part of that responsibility, Mr. Wilson, to also  
12 review operating agreements prepared by other companies in  
13 Southeastern New Mexico?

14 A Yes, sir.

15 Q Are the rates you propose fifteen hundred and two  
16 hundred in line with the charges made by other companies in  
17 the area?

18 A I think it's very reasonable.

19 Q Are they actually less than what charges are being  
20 made?

21 A I would say they are a little under, yes, sir.

22 Q Would you consider a reasonable risk factor for  
23 drilling the Morrow considering your experience with dry holes  
24 as two hundred percent?

25 A Yes, sir.

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1 MR. LOSEE: Okay, I have no further questions of  
2 Mr. Wilson.

3  
4 CROSS EXAMINATION

5 BY MR. STAMETS:

6 Q Mr. Wilson, you indicated that this particular  
7 well had been drilled already?

8 A Yes,

9 Q When did this drilling occur, approximately?

10 A Approximately the first of April, 1976.

11 Q Has the well been connected?

12 A Yes, sir, it has.

13 Q When was it connected?

14 A December, 1976.

15 Q Okay and what is it producing?

16 MR. LOSEE: We are going to let Mr. Mahfood testify  
17 as to the condition of the well. He will give you some  
18 production curves.

19 MR. STAMETS: Okay, we can go ahead and do that,  
20 however, we will get back to the question of the risk factor  
21 and when the well was drilled and how much risk has been  
22 taken by the operator in drilling the well before obtaining  
23 all of the interest.

24 MR. LOSEE: Off the record.

25 (THEREUPON, a discussion was held off the record.)

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1 MR. LOSEE: There is one question, though, that I  
2 haven't asked you. Do you have the actual cost, has your  
3 accounting department furnished you with the cost of drilling  
4 this Hunter "FL"?

5 MR. WILSON: No, sir.

6 MR. LOSEE: The Exhibit One is an AFE on this well  
7 and what was the estimated cost of completing the well?

8 MR. WILSON: Three hundred and fifty thousand  
9 dollars.

10 MR. LOSEE: Okay, I think that's all.

11 MR. STAMETS: Any other questions of the witness?  
12 He may be excused.

13 (THEREUPON, the witness was excused.)

14 MR. STAMETS: Just one thing, I wanted to know if  
15 you will furnish us with a plat on both of these wells showing  
16 the acreage?

17 MR. LOSEE: Yes, and still off the record.

18 (THEREUPON, a discussion was held off the record.)

19  
20 EDDIE MAHFOOD

21 called as a witness, having been first duly sworn, was examined  
22 and testified as follows:

23  
24 DIRECT EXAMINATION

25 BY MR. LOSEE:

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1 Q You are the same Eddie Mahfood who testified in  
2 5932, are you not?

3 A Yes, sir.

4 Q Would you turn to Exhibit Two which is the log on  
5 the Hunter "FL" and explain what is important by this log.

6 A This is a compensated neutron-formation density log  
7 which shows a gamma ray reading of fifty to seventy API units.  
8 That is a rather shaley sand and it would be quite a problem  
9 getting good returns from it.

10 Q Okay, Exhibit Three is a copy of the four-point test  
11 on the well, what does this test reflect?

12 A Again this is a New Mexico type test which will  
13 include different flow bearing rates for one hour and the  
14 indicated capacity of one point eight two million per day.

15 Q Exhibit Four is the pressure and production curve  
16 on this well?

17 A That is correct. We see a rapid decline in production  
18 pretty well on an eight hundred MCF per day and it declined  
19 rapidly and it went on line in mid December and by the first  
20 of April it was down to three hundred MCF a day and today it  
21 is not booking six hundred line pressure.

22 Q Is the cumulative production on this well about  
23 fifty-seven million?

24 A That is correct.

25 Q Do you think this well will return to Yates the

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1 cost of drilling it?

2 A. No, sir.

3 Q. Will the approval of this application avoid the  
4 drilling of unnecessary wells?

5 A. Yes, I think so.

6 Q. Were Exhibits One through Four prepared by you or  
7 under your supervision?

8 A. Yes, sir.

9 MR. LOSEE: I move their introduction.

10 MR. STAMETS: They will be admitted into evidence.

11 (THEREUPON, Applicant Exhibits One through  
12 Four were admitted into evidence.)

13 MR. LOSEE: I have no further questions of Mr. Mahfood.

14  
15 CROSS EXAMINATION

16 BY MR. STAMETS:

17 Q. Did you ask Mr. Mahfood if this well was going to  
18 pay out?

19 A. Yes, he asked me and I said, "No."

20 Q. What are you all getting for gas out there?

21 A. This one I imagine is a dollar forty-two. The  
22 landman says a dollar forty-four.

23 Q. Mr. Mahfood, in starting the well before you have  
24 everybody signed up, do you feel like you have accepted a  
25 certain amount of risk in drilling the well and getting your

1 money back?

2 A. Yes, I would agree with this.

3 Q. That risk might be half?

4 A. Mr. Examiner, I have not had a lesson in that phase  
5 of exploration. I'm ignorant on the matter.

6 Q. Nonetheless it appears that you will have considerable  
7 risk involved in ever recovering enough money to pay for this  
8 well from production?

9 A. Yes, sir.

10 MR. STAMETS: Any other questions of the witness?  
11 He may be excused.

12 (THEREUPON, the witness was excused.)

13 MR. STAMETS: Anything further in this case? We  
14 will take the case under advisement.

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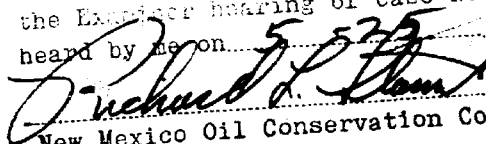
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REPORTER'S CERTIFICATE

1  
2 I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,  
3 do hereby certify that the foregoing and attached Transcript  
4 of Hearing before the New Mexico Oil Conservation Commission  
5 was reported by me, and the same is a true and correct record  
6 of the said proceedings to the best of my knowledge, skill and  
7 ability.

8  
9  
10   
11 Sidney F. Morrish, C.S.R.

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12  
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14  
15 do hereby certify that the foregoing is  
16 a complete record of the proceedings in  
the Examiner hearing of Case No. 5733  
heard by me on 5-5-77 1977  
17  Examiner  
New Mexico Oil Conservation Commission  
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STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501



**LAND COMMISSIONER**  
**PHIL R. LUCERO**  
**June 9, 1977**

**STATE GEOLOGIST**  
**EMERY C. ARNOLD**

Re: CASE NO. 5933  
ORDER NO. R-5446

Applicant:

**Yates Petroleum Corporation**

**Dear Sir:**

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Yours very truly,

**JOE D. RAMEY**  
**Director**

**JDR/Ed**

**Copy of order also sent to:**

Hobbs OCC	<u>X</u>
Artesia OCC	<u>X</u>
Aztec OCC	

**Other**

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. 5933  
Order No. R-5446

APPLICATION OF YATES PETROLEUM  
CORPORATION 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 May 25, 1977 at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 8th day of June, 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, Yates Petroleum Corporation, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 15, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and has drilled its Hunter "FL" Well No. 1 at a standard location in Unit F of said Section 15.

(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 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 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 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 \$1500.00 per month while drilling and \$210.00 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.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying the W/2 of Section 15, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to the Yates Petroleum Corporation Hunter "FL" Well No. 1 at a standard location in Unit F of said Section 15.

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

Case No. 5933  
Order No. R-5446

(3) That within 30 days after the effective date of this order, 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.

-4-

Case No. 5933  
Order No. R-5446

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

(9) That \$1500.00 per month while drilling and \$210.00 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.

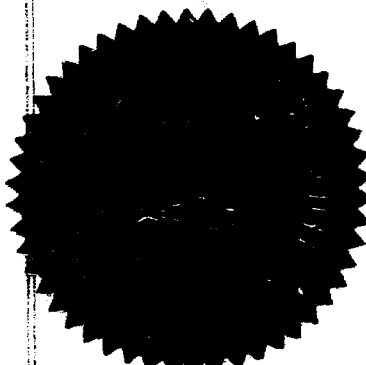
(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working 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 Eddy 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.

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



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Phil R. Lucero*  
PHIL R. LUCERO, Chairman

*Emery C. Arnold*  
EMERY C. ARNOLD, Member

*Joe D. Ramsey*  
JOE D. RAMSEY, Member & Secretary

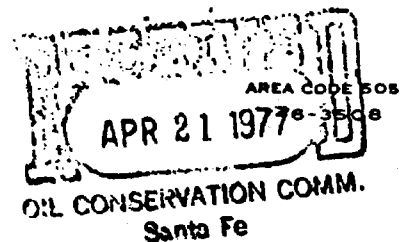
S E A L

jr/

- CASE 5932: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico, to be dedicated to it's Moore "FQ" Well No. 1 located in Unit F of said Section 19. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5933: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 15, Township 17 South, Range 26 East, Eddy County, New Mexico, to be dedicated to it's Hunter "FL" Well No. 1 located in Unit F of said Section 15. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5934: Application of HNG Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its El Paso Federal 29 Well No. 1 to be located 2427 feet from the North line and 904 feet from the West line of Section 29, Township 24 South, Range 27 East, Eddy County, New Mexico, the W/2 of said Section 29 to be dedicated to the well.
- CASE 5935: Application of Union Texas Petroleum for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the E/2 W/2 and W/2 E/2 of Section 7, Township 20 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's Britt Well Nos. 3 and 12 located at unorthodox locations in Units G and C of said Section 7, respectively.
- CASE 5936: Application of El Paso Natural Gas Company for a dual completion and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its San Juan 27-4 Unit Well No. 109 to be located at an unorthodox location 990 feet from the South line and 1840 feet from the East line of Section 23, Township 27 North, Range 4 West, Rio Arriba County, New Mexico, to produce gas from the Tapacito-Pictured Cliffs and Blanco-Mesaverde Pools.
- CASE 5937: Application of Sun Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Lusk-Morrow, East Lusk-Wolfcamp and East Lusk-Bone Springs production in the wellbore of its Shearn Federal Well No. 1, located in Unit L of Section 15, Township 19 South, Range 32 East, Lea County, New Mexico.
- CASE 5938: Application of V-F Petroleum, Inc., for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Landreth State Well No. 1 to be drilled 330 feet from the South line and 1100 feet from the West line of Section 15, Township 10 South, Range 36 East, South Crossroads-Devonian Pool, Lea County, New Mexico, the S/2 SW/4 of said Section 15 to be dedicated to the well.
- CASE 5939: Application of C&K Petroleum, Inc., for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 7, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to it's Carlsbad Well No. 7 to be located at an unorthodox location 760 feet from the South line and 690 feet from the West line of said Section 7. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5940: Application of C&K Petroleum, Inc., for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 6, Township 19 South, Range 32 East, Lea County, New Mexico, to be dedicated to it's Federal Well No. 6 to be located at an unorthodox location 600 feet from the South line and 2000 feet from the West line of said Section 6. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

A. J. LOSEE  
JOEL M. CARSON  
CHAD DICKERSON

LAW OFFICES  
LOSEE & CARSON, P.A.  
300 AMERICAN HOME BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88210



19 April 1977

Ms. Lynn Teschendorf, Attorney  
New Mexico Oil Conservation  
Commission  
P. O. Box 871  
Santa Fe, New Mexico 87501

Dear Ms. Teschendorf:

Enclosed for filing, please find two applications, each in triplicate, of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. One application covers the Moore "FQ" No. 1 Well and the other covers the Hunter "FL" No. 1 Well. It is my understanding that these cases will be set for hearing before an examiner on May 25, 1977.

Very truly yours,

LOSEE & CARSON, P.A.

  
A. J. Losee

AJL:jw  
Enclosures

cc w/enclosures: Mr. Jack W. McCaw

AUTHORITY FOR EXPENDITURE  
Yates Petroleum Corporation

Estimated Cost to Drill,  
Complete & Equip, 8700'  
Morrow Test

Hunter "FL" #1 Cam  
1980/N 1940/W, Sec 15-16-26  
Kennedy Farms, Midy Co., NM

	<u>Dry Hole</u>	<u>Completion</u>
Staking Permit & Legal Fees	\$ 500	\$ 500
Location, Right-of-Way & Surface Damages	\$ 5,500	\$ 6,700
Drilling: Footage, 8700' @ \$10.80	\$ 94,000	\$ 94,000
Daywork, 5 days @ \$2880	\$ 14,400	\$ 14,400
Water, Mud & Additives, Pit Lining	\$ 20,000	\$ 21,000
Cementing, Tools & Services	\$ 9,200	\$ 13,200
Electric Logs & Perforating	\$ 10,000	\$ 13,000
Mud logging Unit	\$ 4,000	\$ 4,000
Drill Stem Testing	\$ 3,100	\$ 3,100
Tool Rentals, Trucking, Welding	\$ 2,500	\$ 3,300
Supervision & Overhead	\$ 2,800	\$ 3,500
Completion Unit, 9 days @ \$600	\$ -	\$ 5,400
Stimulation	\$ -	\$ 13,500
Contengency	\$ 9,000	\$ 12,400
<u>TOTAL INTANGIBLES</u>	<u>\$175,000</u>	<u>\$208,000</u>
Xmas Tree	\$ 1,100	\$ 7,500
Casing: 13 3/8" 48#, 460' @ \$16.09	\$ 7,400	\$ 7,400
8 5/8" 24#, 1400' @ \$8.07	\$ 11,300	\$ 11,300
5 1/2" 15.5-17#, 8700' @ \$5.70	\$ -	\$ 49,600
Tubing: 2 7/8" 6.5# K-55, 8500' @ \$2.92	\$ -	\$ 24,800
Packer & Special Equipment	\$ -	\$ 1,600
Contingency	\$ 1,200	\$ 8,800
<u>TOTAL TANGIBLES</u>	<u>\$ 20,000</u>	<u>\$111,000</u>
Tanks, 2-210 bbl Welded w/Stair & Walkway	\$ -	\$ 6,800
Heater-Separator & Flowlines	\$ -	\$ 16,700
Trucking, Fences, Misc. Valves & Fittings	\$ -	\$ 3,700
Construction Costs & Misc.	\$ -	\$ 3,800
<u>TOTAL LEASE EQUIPMENT</u>	<u>\$ -</u>	<u>\$ 31,000</u>
<u>TOTAL TO DRILL, COMPLETE &amp; EQUIP</u>	<u>\$195,000</u>	<u>\$350,000</u>

Approval of this AFE constitutes approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

Approved

YATES PETROLEUM CORPORATION - 71.875

By Eddie M. Keady Date 2-17-76

YATES DRILLING CORPORATION - 9.375

By \_\_\_\_\_ Date \_\_\_\_\_

ABO PETROLEUM CORPORATION - 9.375

By \_\_\_\_\_ Date \_\_\_\_\_

MYCO INDUSTRIES, INC. - 9.375

By \_\_\_\_\_ Date \_\_\_\_\_

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION

EXHIBIT NO. 1

CASE NO. 5933

Submitted by \_\_\_\_\_

Hearing Date \_\_\_\_\_

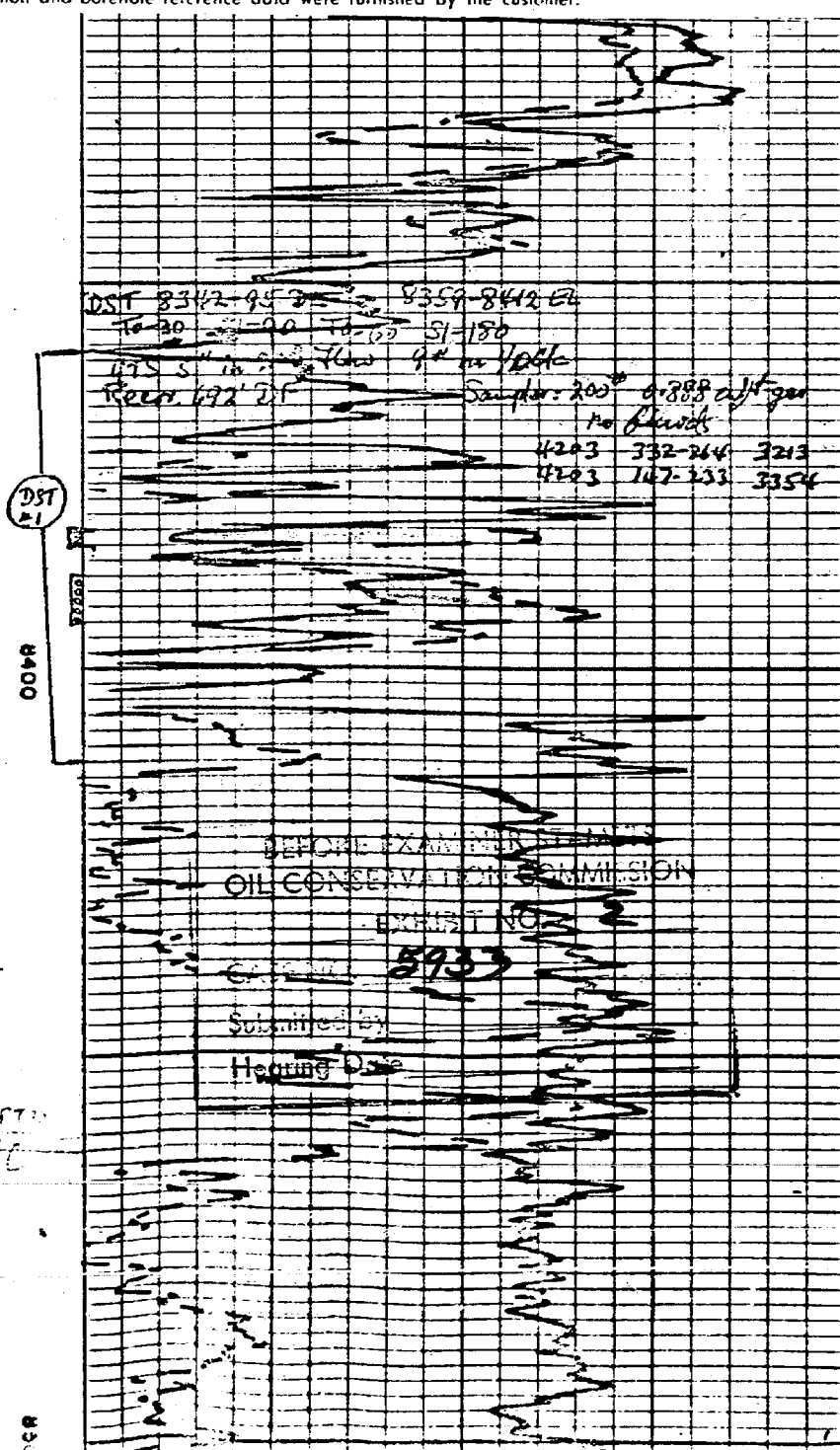
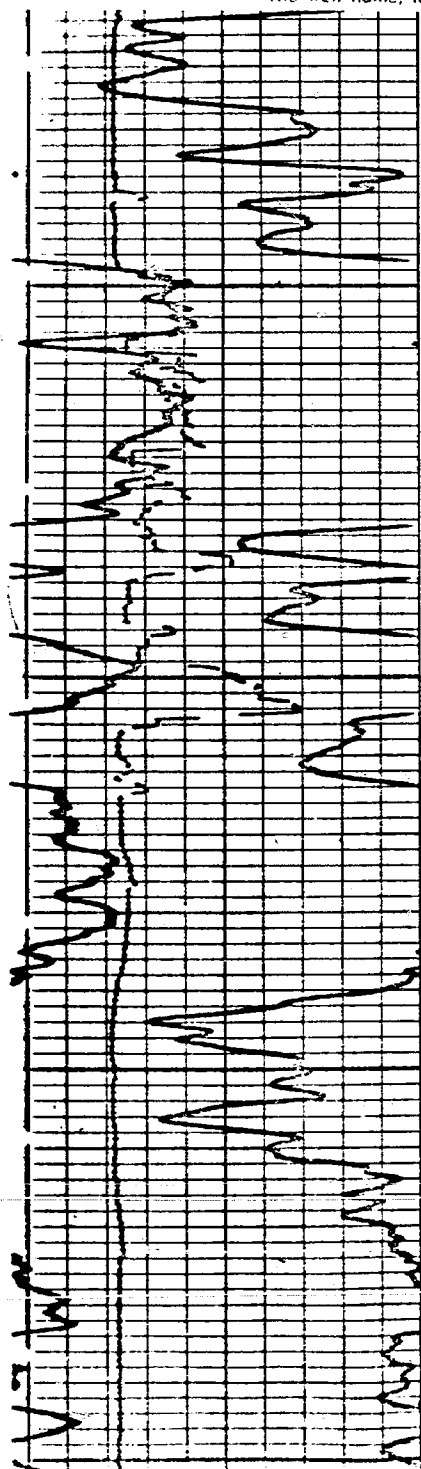


Permanent Datum 94 Elev. 3345  
 Top Measured From NR 16 ft. Above Perm. Datum  
 Drilling Measured From NR

Elev. K.B. 3361  
 D.F. 3360  
 C.I. 3345

[illegible]

The well name, location and borehole reference data were furnished by the customer.

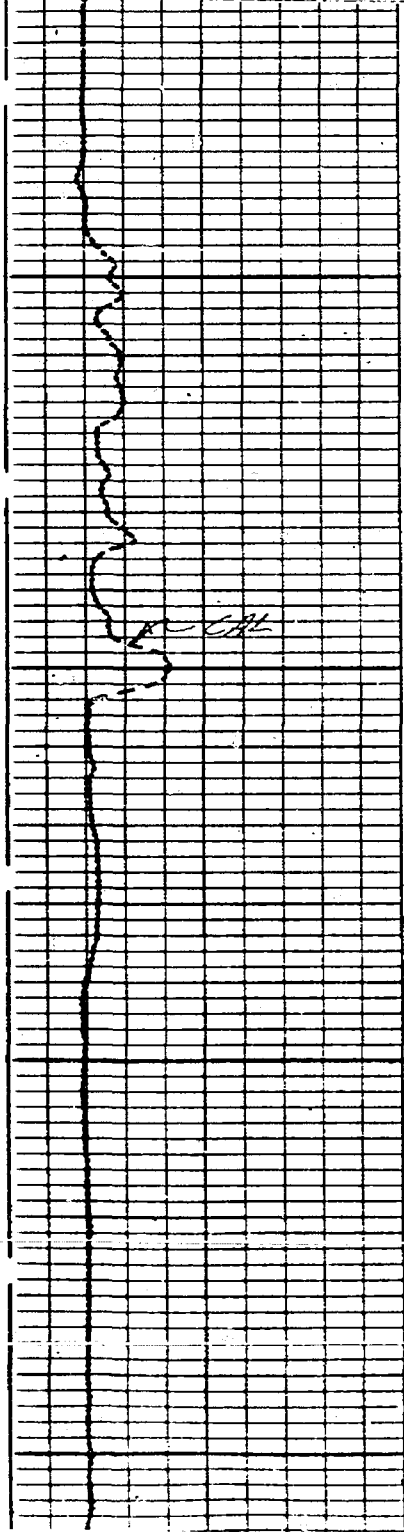


FOLD HERE

The well name, location and borehole reference data were furnished by the customer.

Run No.

## SCALE CHANGES



MEXICO OIL CONSERVATION COMMISSION  
MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELL

Form C-122  
Revised 9-1-65

Type Test <input checked="" type="checkbox"/> Initial <input type="checkbox"/> Annual <input type="checkbox"/> Special						Test Date 4-23-76				
Company Yates Petroleum Corp.						Connection				
Pool Kennedy Farms						Formation Morrow				
Completion Date 4-6-76			Total Depth 8460'		Plug Back TD		Elevation 3362 KB		Farm or Lease Name Hunter "EL" Com	
Csg. Size 4 1/2	Wt. 11.6	d 4.000	Set At		Perforations: From 8382 To 8394		Well No. 1			
Thq. Size 2-3/8	Wt. 4.7	d 1.995	Set At 8324		Perforations: From To		Unit Sec. Twp. Rge. F 15 17S 26E			
Type Well - Single - Rodenthead - G.C. or G.O. Multiple Single						Packer Set At 8324		County Eddy		
Producing Thru tubing		Reservoir Temp. °F 140		Mean Annual Temp. °F 62		Baro. Press. - P <sub>g</sub> 13.2		State New Mexico		
L 8388	H 8388	G <sub>g</sub> 0.620	% CO <sub>2</sub> 0.116	% N <sub>2</sub> 0.390	% H <sub>2</sub> S Nil	Prover	Meter Run 3	Orifice		

FLOW DATA						TUBING DATA		CASING DATA		Duration of Flow
NO.	Prover Line Size	X	Orifice Size	Press. p.s.i.g.	Diff. h <sub>w</sub>	Temp. °F	Press. p.s.i.g.	Temp. °F	Press. p.s.i.g.	
SI							2567			
1.	3	X	1.000	295	5.5	79	2474	75		
2.				300	19	92	2340	75		
3.				300	39	90	2186	75		
4.				307	68	85	1972	75		
5.										

RATE OF FLOW CALCULATIONS							
NO.	Coefficient (24 Hour)	$\sqrt{h_w P_m}$	Pressure P <sub>m</sub>	Flow Temp. Factor Ft.	Gravity Factor F <sub>g</sub>	Super Compress. Factor, F <sub>pv</sub>	Rate of Flow Q, Mcfd
1	4.801	41.17	308.2	.9822	1.270	1.024	252
2.		75.08	313.2	.9706	1.270	1.022	454
3.		110.52	313.2	.9723	1.270	1.023	670
4.		147.55	320.2	.9768	1.270	1.023	899
5.							

NO.	P <sub>r</sub>	Temp. °R	T <sub>r</sub>	Z	Gas Liquid Hydrocarbon Ratio TSTM	Mcf/bbl.
1.	.46	539	1.50	.953	A.P.I. Gravity of Liquid Hydrocarbons	Deg.
2.	.46	552	1.54	.957	Specific Gravity Separator Gas 0.620	XXXXXXX
3.	.46	550	1.53	.956	Specific Gravity Flowing Fluid XXXXX	
4.	.47	545	1.52	.955	Critical Pressure 678 P.S.I.A.	P.S.I.A.
5.					Critical Temperature 359 R	R

NO.	P <sub>r</sub> <sup>2</sup>	P <sub>w</sub> <sup>2</sup>	P <sub>w</sub> <sup>2</sup>	P <sub>r</sub> <sup>2</sup> - P <sub>w</sub> <sup>2</sup>	(1) $\frac{P_r^2}{P_r^2 - P_w^2}$	(2) $\frac{P_r^2}{P_r^2 - P_w^2}$	2.017
1		3144.2	9886	802			
2		2977.2	8864	1824			
3		2794.2	7808	2880			
4		2535.2	6427	4261			
5							

BEFORE EXAMINER STAMETS

OIL CONSERVATION COMMISSION

EXHIBIT NO. 1820 5933

2.017

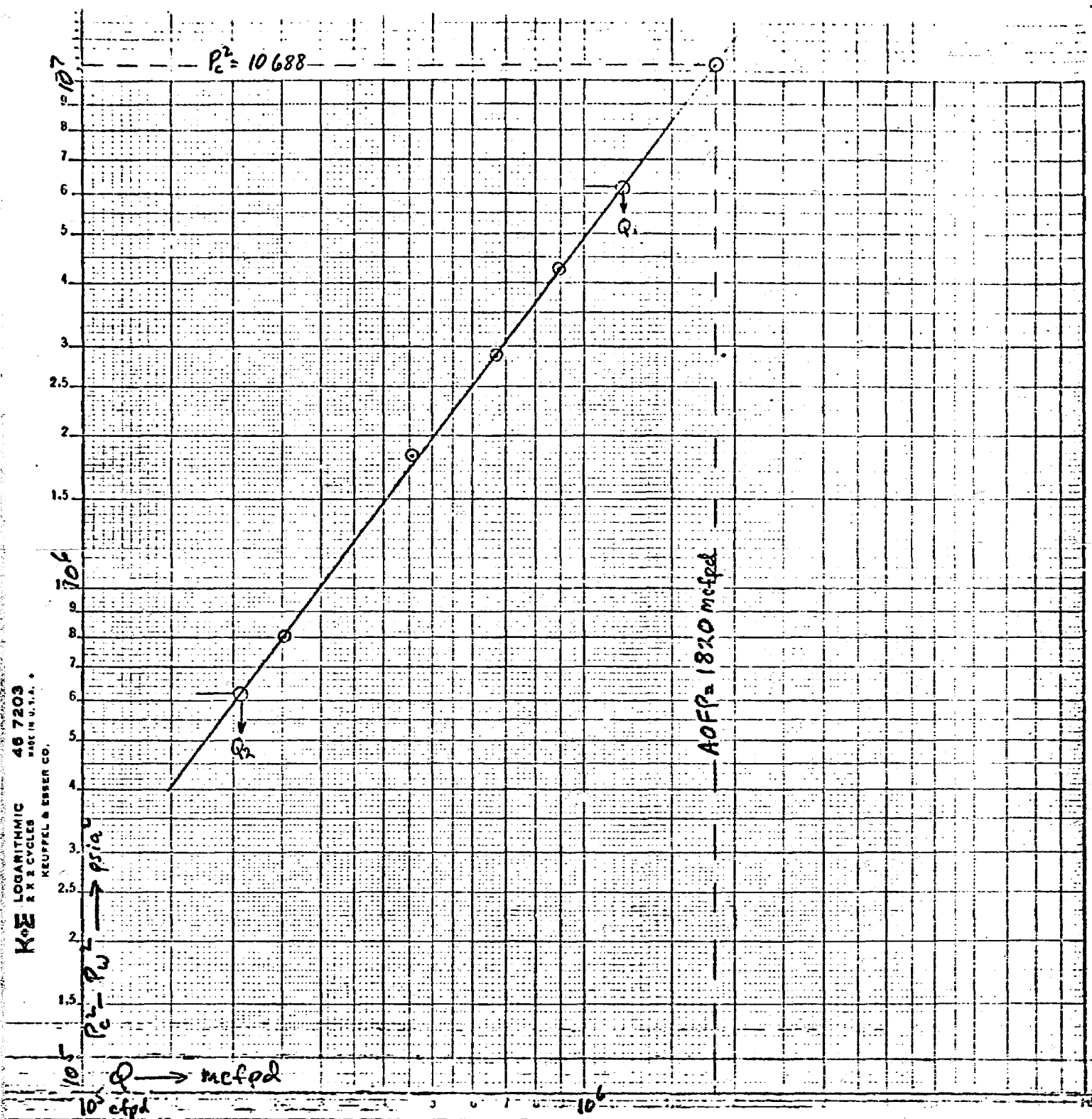
  

Remarks: CoF BHP by Bennett Wireline Test witnessed by TWL.

Approved By Commission:	Conducted By: Don Weaver	Calculated By: Eddie Mahfood	Checked By:
-------------------------	-----------------------------	---------------------------------	-------------

Rates Petroleum Corporation  
 Hunter "FL" Com #1 - "  
 1980' FNL & 1940' FWL of  
 Section 15-17S-26E Eddy Co., NM



$$\begin{aligned}
 Q_1 &= 1200 \text{ mcfpd} & \log Q_1 &= 3.0772 \\
 Q_2 &= 207 \text{ mcfpd} & \log Q_2 &= 2.3160 \\
 N &= 0.7632
 \end{aligned}$$

TRANSWESTERN PIPELINE COMPANY  
WELL TEST REPORT

Date: 4-23-76

Type Test: ☐ Initial ☐ State ☐ TW  
Operator Y.P.C.  
Location 15-175-26E  
Field \_\_\_\_\_

Lease Hwy 100 "EL"  
County Red  
Reservoir McLennan

Sta. No. \_\_\_\_\_  
Well No. #1 Conn.  
Pipeline Conn. \_\_\_\_\_  
Perforations 8382-84-8388-94

Csg. Size 4 1/2" Tbg. Size 2 7/8" Packer @ 8324 TD 8460 ft. Producing Through: Csg. ☐ Tbg. ☒

Date Well \_\_\_\_\_ Date on \_\_\_\_\_ Date on 24 hour Test \_\_\_\_\_ Date SI ending 24 hour Test \_\_\_\_\_  
on Line \_\_\_\_\_ Preflow \_\_\_\_\_ FWHP (Beginning) \_\_\_\_\_ FWHP (Ending) \_\_\_\_\_  
Time \_\_\_\_\_ Average Preflow rate \_\_\_\_\_ 24 Hr. Test Rate \_\_\_\_\_ Inst. Rate \_\_\_\_\_

Date Shut in \_\_\_\_\_ Length of \_\_\_\_\_ Shut In \_\_\_\_\_ Shut In \_\_\_\_\_  
Press. Taken 4-23-76 Time 10:00 AM Shut In 2 wks. Csg. Press., psig. \_\_\_\_\_ Tbg. Press., psig. 2567

Gas Gravity \_\_\_\_\_ API Gravity \_\_\_\_\_ Dehy. \_\_\_\_\_ Prover \_\_\_\_\_ Meter \_\_\_\_\_ Orifice \_\_\_\_\_ Type \_\_\_\_\_  
(G<sub>m</sub>)(G<sub>g</sub>) \_\_\_\_\_ of Liquid @ 60° F \_\_\_\_\_ Capacity \_\_\_\_\_ Size \_\_\_\_\_ Run Size 3" Size 1" Taps \_\_\_\_\_

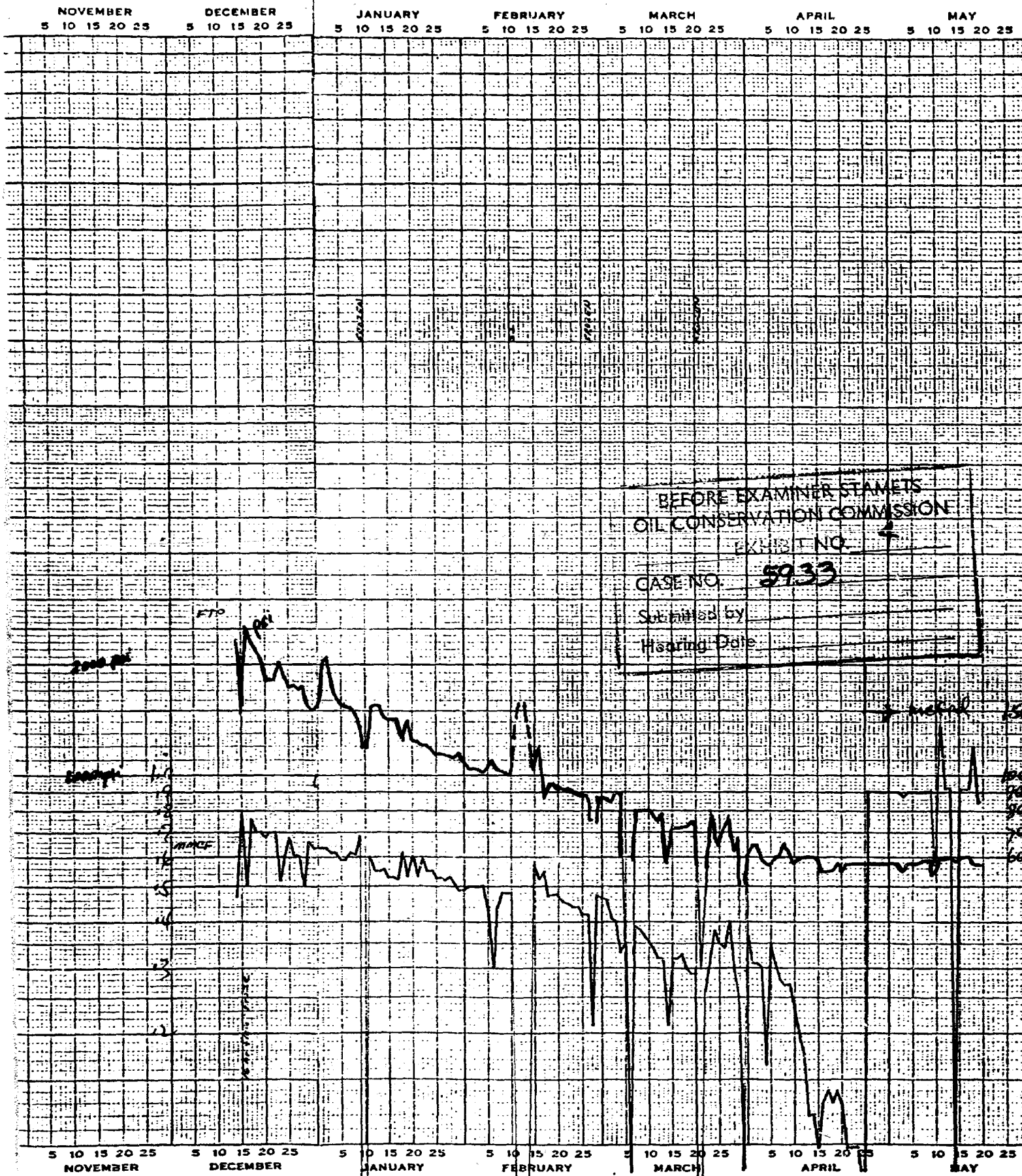
DATE	TIME OF READ, ING	ELAP. TIME HRS.	W.H. PRESSURE DATA				METER OR PROVER DATA			VOL. Mcf	REMARKS Include Temperature, Liquid Production and Flowing Characteristics
			CASING PRESS. (psig)	Δ P CSG.	TUBING PRESS. (psig)	Δ P TBG.	PRESS. psia	DIFF.	TEMP.		
10:15			3250	.082	2567						Well head Temp. 75°
10:30	1st pt.				2520		300	6	72°	290	75°
10:45					2490		300	6	73	290	75
11:00					2481		300	6	76	290	75
11:15			3131		2474		300	6	74	290	75
11:30					2414		300	19	83°	510	75°
11:45	2nd pt.				2350		300	19	87	510	75
12:00					2361		300	18	90	500	75
12:15			2964		2340		300	18	92	500	75
12:30					2263		300	41	92°	760	75°
12:45	3rd pt.				2230		300	42	92	760	75
1:00					2208		300	40	91	760	75
1:15			2781		2186		300	34	91	750	75
1:30					2081		305	76	90°	1,050	75°
1:45	4th pt.				2027		305	70	88	1,000	75
2:00					1990		305	70	88	1,000	75
2:15			2522		1972		305	68	85	1,000	75
			Buildup, Bank 22' to 20'								
			St. hrs								
		.25	2382								No fluid recovery
		.50	2424								
		.75	3078								
		1	3098								
		2	3160								
		3	3180								
		4	3184								
		18	3184								Pulled bank.
		72	3262								
			Re-run Bank to 2340'.								

TESTED BY: A.P. T. [Signature]

WITNESSED BY: [Signature]

PAGE \_\_\_\_\_ OF \_\_\_\_\_

W/2 Sec 15-17s-26E, Kennedy Farms Morrow

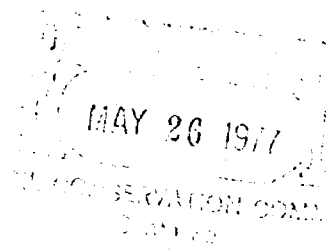






207 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE 746-3558

S. P. YATES  
PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
VICE PRESIDENT  
B. W. HARPER  
SEC. - TREAS.



May 26, 1977

New Mexico Oil Conservation  
Commission  
P.O. Box 871  
Santa Fe, New Mexico 87501

Attention: Richard L. Stamets

Dear Mr. Stamets:

Per your request, enclosed are plats illustrating the interest we have requested to be force pooled in Cases 5932 and 5933.

Should you need additional information, please contact me.

Yours very truly,

Jack W. McCaw  
Land Department

*Scott E. Wilson*

By: Scott E. Wilson

vm  
Enclosures

APR 21 1933  
OIL CONSERVATION COMMISSION

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION :  
OF YATES PETROLEUM CORPORATION :  
FOR COMPULSORY POOLING, EDDY :  
COUNTY, NEW MEXICO :

---

CASE NO. 5933

APPLICATION

COMES Yates Petroleum Corporation by its attorneys,  
and in support hereof respectfully states:

1. Applicant had the right to drill and has drilled  
and completed its Hunter "FL" No. 1 Well in the Morrow formation  
as a gas well, located at a point 1,980 feet from the North  
line and 1,980 feet from the West line of Section 15, Township  
17 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

2. Applicant has dedicated the W/2 of said Section  
15 to its said Hunter "FL" No. 1 Well, and there are interest  
owners in the proration unit who have not agreed to pool their  
interests.

3. Applicant should be designated the operator of  
the well and the proration unit.

4. 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 re-  
ceive without unnecessary expense, his just and fair share of  
the gas in said unit, all mineral interests, whatever they may  
be, from the surface through the Morrow formation underlying  
the W/2 of said Section 15 should be pooled.



5. 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 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Commission enter its order pooling all mineral interests, whatever they may be, from the surface through the Morrow formation underlying the W/2 of said Section 15, Township 17 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's Hunter "FL" No. 1 Well.

C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: 

A. J. Losee

LOSEE & CARSON, P.A.  
P. O. Drawer 239  
Artesia, New Mexico 88210

Attorneys for Applicant

DRAFT

dr/

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. 5933

Order No. R-5446

APPLICATION OF YATES PETROLEUM CORPORATION  
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 May 25, 19<sup>77</sup>  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of \_\_\_\_\_, 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, Yates Petroleum Corporation,  
seeks an order pooling all mineral interests in the  
Morrow formation underlying the W/2  
of Section 15, Township 17 South, Range 26 East,  
NMPM, \_\_\_\_\_, Eddy County, New  
Mexico.

Case No.  
Order No. R-

(3) That the applicant has the right to drill and <sup>has drilled</sup> proposes its Hunter "FL" Well No. 1 ~~located in Unit F of said~~ Section 15.  
~~to drill a well~~

(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 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 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 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.

*while drilling and \$200.00 per month  
while producing*

(11) That <sup>\$</sup>1500.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge 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 drilling of the well to which said unit is dedicated on or before \_\_\_\_\_, 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 Morrow formation underlying the W/2 of Section 15, Township 17 South, Range 26 East, NMPM, \_\_\_\_\_, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to the Yates Petroleum Corporation ~~applicant~~ *at a standard location*  
Hunter "FL" Well No. 1, located in Unit F of said Section 15.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the \_\_\_\_\_ formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, 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.

-4-  
Case No.  
Order No. R-

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 Commission and show cause why Order (1) of this order should not be rescinded.

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

(3) That <sup>within 30 days</sup> 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

Case No.  
Order No. R-

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. *while drilling and \$200.00 per month while producing are*

(9) That \$1500.00 per month ~~is~~ hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge, 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.

-6-

Case No.

Order No. R-

(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 Eddy 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.

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