

Entered August 30, 1977
JMR

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. 6005
Order No. R-5514

APPLICATION OF J.M. HUBER CORPORATION
FOR A NON-STANDARD UNIT OR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 3, 1977,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of August, 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, J.M. Huber Corporation, seeks an
order pooling all mineral interests in the Delaware formation
underlying the SE/4 of Section 15, Township 23 South, Range 26
East, NMPM, Eddy County, New Mexico, or in the alternative, an
order creating a 159-acre non-standard Delaware gas proration
unit comprising all of said SE/4 Section 15 except that tract
of land belonging to Mr. Monk Lofton and described as being one
acre, more or less, lying immediately North of the South line of
said Section 15 and immediately East of the Eastern boundary of
the right of way of U.S. Highways Nos. 62 and 180.
- (3) That the applicant has the right to drill and has
drilled a Delaware gas well in the SE/4 of said Section 15, said
well being described as applicant's Parr Well No. 1, located
990 feet from the South line and 990 feet from the East line of
said Section 15.
- (4) That there are interest owners in the proposed proration
unit, being the SE/4 of said Section 15, 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 160-acre unit.

(6) That the alternative application, for a 159-acre unit, should be dismissed.

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

(8) That any non-consenting working interest owner that has not paid his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 50 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 \$771.00 should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling the subject well and \$150.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while producing; 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.

(11) 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 effective August 3, 1977, all mineral interests, whatever they may be, in the Delaware formation underlying the SE/4 of Section 15, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 160-acre gas spacing and proration unit to be dedicated to the J.M. Huber Corporation Parr Well No. 1 located 990 feet from the South line and 990 feet from the East line of said Section 15.

(2) That J.M. Huber Corporation is hereby designated the operator of the subject well and unit.

(3) 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.

(4) 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, 50 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.

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

(6) That \$771.00 is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling the subject well, and \$150.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while producing; 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.

(7) 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.

-4-

Case No. 6005
Order No. R-5514

(8) 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.

(9) 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.

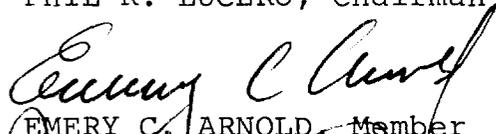
(10) That that portion of the application relating to a 39-acre or 40-acre oil proration unit, or a 159-acre gas proration unit, is hereby dismissed.

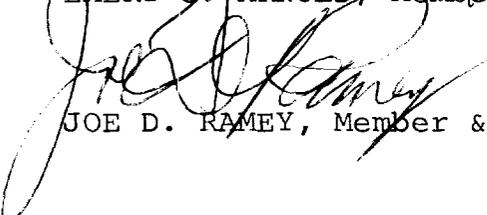
(11) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

S E A L

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