

Entered May 15, 1979

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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
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6523
Order No. R-6006

APPLICATION OF LONNIE J. BUCK
FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 9, 1979, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 15th day of May, 1979, 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, Lonnie J. Buck, seeks an order pooling all mineral interests in the Yates and Seven Rivers formations underlying each of the following 40-acre tracts in Section 25, Township 25 South, Range 36 East, NMPM, Jalmat Pool, Lea County, New Mexico:
 - the NW/4 SW/4 to be dedicated to the Brown Well No. 6 located 2310 feet from the South line and 990 feet from the West line; and
 - the SW/4 SW/4 to be dedicated to the Brown Well No. 7 located 670 feet from the South line and 660 feet from the West line.
- (3) That the applicant has the right to and proposes to re-enter the aforesaid wells to attempt their completion as Jalmat oil wells.

(4) That there are interest owners in each of 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 units 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 the aforesaid proration units.

(6) That the applicant should be designated the operator of each 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 re-entry and completion 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 re-entry and completion costs should have withheld from production his share of the reasonable costs for such re-entry and completion plus an additional 150 percent thereof as a reasonable charge for the risk involved in re-entry and completion of each of the wells.

(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 \$1000.00 per month during workover operations and \$150.00 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 under each unit, 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 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 re-completion operations on the Brown Well No. 6 on or before July 1, 1979, the order pooling the NW/4 SW/4 of Section 25, Township 25 South, Range 36 East, NMPM, should become null and void and of no effect whatsoever.

(14) That upon failure of the operator to commence re-completion operations on the Brown Well No. 7 within 60 days after putting Brown Well No. 6 on production, the order pooling the SW/4 SW/4 of Section 25, Township 25 South, Range 36 East, NMPM, 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 Yates formation underlying each of the following 40-acre tracts in Section 25, Township 25 South, Range 36 East, NMPM, Jalmat Pool, Lea County, New Mexico, are hereby pooled:

the NW/4 SW/4 to be dedicated to the Brown Well No. 6 located 2310 feet from the South line and 990 feet from the West line; and the SW/4 SW/4 to be dedicated to the Brown Well No. 7 located 670 feet from the South line and 660 feet from the West line.

PROVIDED HOWEVER, that the operator of the NW/4 SW/4 of said Section 25 shall commence the recompletion of said Brown Well No. 6 on or before the 1st day of July, 1979, and shall thereafter continue workover operations on said well with due diligence to test the Yates and Seven Rivers formations;

PROVIDED FURTHER, that in the event said operator does not commence workover operations of said well on or before the 1st day of July, 1979, 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 workover and recompletion operations on said Brown Well No. 6 not be completed within 60 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 SW/4 SW/4 of said Section 25 shall, within 60 days after putting the aforesaid Brown Well No. 6 on production, commence workover operations on the aforesaid Brown Well No. 7, and shall thereafter continue workover operations on said well with due diligence to test the Yates and Seven Rivers formations;

PROVIDED FURTHER, that in the event said operator does not commence such workover operations on said Brown Well No. 7 within said 60-day period, Order (1) of this order shall be null and void and of no effect whatsoever with respect to the SW/4 SW/4 of Section 25, Township 25 South, Range 36 East, NMPM, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should workover and recompletion operations on said Brown Well No. 7 not be completed within 60 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 with respect to the SW/4 SW/4 of said Section 25.

(2) That Lonnie J. Buck 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 workover operations on 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 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 within each of the pooled units 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 recompletion of the unit well, 150 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner within the unit 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 \$1000.00 per month during workover operations and \$150.00 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 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.

(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.

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Case No. 6523

Order No. R-6006

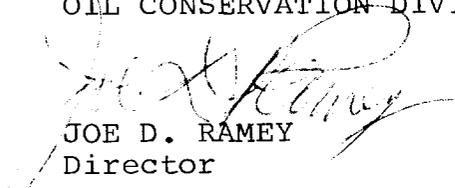
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(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 Lea 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

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