

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. 2346
Order No. R-2052

APPLICATION OF PAN AMERICAN
PETROLEUM CORPORATION FOR AN
ORDER POOLING A 320-ACRE GAS
PRORATION UNIT IN THE BASIN-
DAKOTA GAS POOL, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 9, 1961, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 29th day of August, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, 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, Pan American Petroleum Corporation, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool in the S/2 of Section 24, Township 29 North, Range 12 West, NMPM, San Juan County, New Mexico.
- (3) That the applicant has attempted to secure the consent of all mineral interest owners in the proposed proration unit to the voluntary pooling of their interests, but that the consent of all such owners could not be obtained.
- (4) That in order to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said proration 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.

CASE No. 2346
Order No. R-2052

(5) That Pan American Petroleum Corporation, a working interest owner in said unit, proposes to drill a Dakota well 1450 feet from the South line and 810 feet from the West line of said Section 24.

(6) That Pan American Petroleum Corporation should be designated the operator of the unit.

IT IS THEREFORE ORDERED:

(1) That all mineral interests in the Basin-Dakota Gas Pool in the S/2 of Section 24, Township 29 North, Range 12 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 320-acre gas proration unit in said pool. Said unit shall be dedicated to a well located 1450 feet from the South line and 810 feet from the West line of said Section 24.

(2) That Pan American Petroleum Corporation is hereby designated as the operator of said unit.

(3) That the proportionate share of the costs of development and operation of the pooled unit shall be borne by each consenting working interest owner in the same proportion to the total costs that his acreage bears to the total acreage in the pooled unit.

(4) That the proportionate share of the costs of development of the pooled unit shall be paid by each non-consenting working interest owner and shall be determined as follows:

a. Each non-consenting working interest owner may elect to pay his share in advance of the drilling of the well, in which event his share shall be a pro rata amount of the total well costs based on acreage ownership.

b. Each non-consenting working interest owner may elect not to pay his share in advance of the drilling of the well, in which event his proportionate share of the total well costs, based on acreage ownership, plus 5 percent of such amount, as a charge for supervision, plus 15 percent of such amount, as a charge for risk, shall be paid out of production attributable to his interest.

PROVIDED HOWEVER, That if, as the result of litigation or settlement thereof, after the effective date of this order, any person is determined to be the owner of a working interest in the subject unit, he may elect to pay in cash his proportionate share of the total well costs, whether or not the well has already been drilled, and no additional charges for supervision or risk shall be made.

If the well has already been drilled at the time of such determination and if any such person elects not

-3-

CASE No. 2346
Order No. R-2052

to pay his share in cash, his proportionate share of the total well costs, plus 5 percent of such amount, as a charge for supervision, shall be paid out of production attributable to his interest, but no charge shall be made for risk. If the well has not been drilled at the time of such determination, the provisions of paragraph (4) b above shall be applicable.

The election to pay a proportionate share of total well costs in cash or out of production shall be made within a reasonable time after such determination of ownership.

(5) That any well costs or charges for supervision and risk which are to be paid out of production shall be withheld only from the working interests' share of production from the pooled unit. No costs or charges shall be withheld from production attributable to royalty interests.

(6) 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.

(7) That Pan American Petroleum Corporation shall furnish the Commission with an itemized schedule of well costs within 90 days after completion of the subject well.

(8) 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.

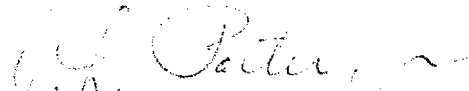
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



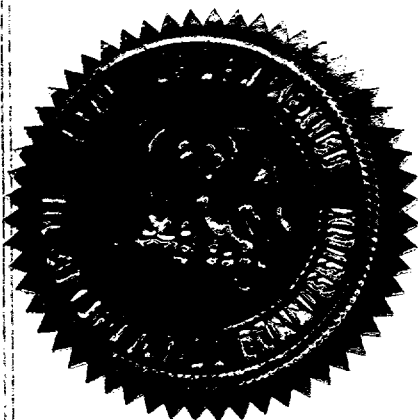
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



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



esr/