

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. 2655
Order No. R-2339

APPLICATION OF MARTIN YATES III AND
S. P. YATES FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 10, 1962, 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 18th day of October, 1962, 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 applicants, Martin Yates III and S. P. Yates, seek an order pooling all mineral interests in the Lusk-Strawn Pool in the NE/4 of Section 30, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, to form a standard 160-acre unit in said pool to be dedicated to their Federal Elliott-Hall Well, presently being drilled at a location 660 feet from the North line and 660 feet from the East line of said Section 30.

(3) That applicants are the owners of the NE/4 NE/4 and SW/4 NE/4 of said Section 30, and Phillips Petroleum Company and Kerr-McGee Industries, Inc. are joint owners of the NW/4 NE/4 and the SE/4 NE/4 of said Section 30.

(4) That prior to the hearing, all owners had consented to the drilling of said Federal Elliott-Hall Well No. 1, with the exception of Kerr-McGee Industries, Inc. Further, that Kerr-McGee Industries, Inc. by statement of counsel at the hearing indicated that it does not oppose the pooling action herein

requested, but does oppose the estimate of risk factor involved.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in the NE/4 of Section 30, Township 19 South, Range 32 East the opportunity to recover or receive without unnecessary expense his just and fair share of the oil and gas in the Lusk-Strawn Pool, the subject application should be approved and the 160-acre unit dedicated to applicants' Federal Elliott-Hall Well No. 1, presently drilling to the Strawn formation in the NE/4 NE/4 of said Section 30.

(6) That the evidence presented in this case indicates that the subject well will cost approximately \$161,610 for a dry hole in the Strawn or \$232,600 for a completed producer in the Strawn. Further, that these estimated costs were not contested in the hearing and do appear to the Commission to be reasonable.

(7) That the applicants seek 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 50 percent thereof as a charge for the risk involved in the drilling of the well.

(8) That the unproved structural position of the subject well, taken into consideration with its distance from the nearest Strawn producer and with the risk involved in encountering sufficient permeability, porosity, and reserves in the Strawn formation to obtain a commercial well, indicates a 50 percent charge for risk to be reasonable.

(9) That \$100.00 per month should be fixed as the reasonable cost of operating the subject well, and each non-consenting working interest owner should be assessed with its share of such cost, to be paid out of production.

(10) That to avoid the aforementioned 50 percent risk factor, any non-consenting working interest owner should be afforded the opportunity to pay its share of the anticipated dry hole costs of \$161,610 within 15 days after the date of entry of this order, subject to an adjustment to the actual well costs within 30 days after receipt of an itemized tabulation of actual total well costs.

(11) That Kerr-McGee Industries, Inc., should notify the applicants, Martin Yates III and S. P. Yates, and the Commission within 15 days after the date of entry of this order as to whether it has elected to pay its share of the aforesaid anticipated dry hole costs.

(12) That the applicants, Martin Yates III and S. P. Yates, should furnish the Commission and each working interest owner

-3-

CASE No. 2655
Order No. R-2339

in the subject unit an itemized tabulation of the total well costs within 30 days after the date of completion of the well.

(13) That Martin Yates III and S. P. Yates should be designated the operators of the unit.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Strawn formation underlying the NE/4 of Section 30, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, are hereby pooled to form a 160-acre Lusk-Strawn Pool oil proration unit. Said unit shall be dedicated to the Martin Yates III - S. P. Yates Federal Elliott-Hall Well No. 1, located in the NE/4 NE/4 of said Section 30.

(2) That Martin Yates III and S. P. Yates are hereby designated the operators of said unit.

(3) That Martin Yates III and S. P. Yates are hereby authorized to withhold the proceeds from production attributable to each non-consenting working interest until such time as each such interest's share of the actual well costs has been recovered, plus 50 percent thereof as a charge for the risk involved in the drilling of the well.

(4) That \$100.00 per month is fixed as the cost of operating the subject well, and Martin Yates III and S. P. Yates are hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(5) That any non-consenting working interest owner shall have the right to elect to pay Martin Yates III and S. P. Yates its proportionate share of \$161,610 within 15 days after the date of entry of this order, subject to a subsequent adjustment as to actual costs. In the event such election is made, the Commission shall also be notified, and the 50 percent risk factor ordered in Paragraph 3 of this order will be inapplicable.

(6) That the applicants shall furnish the Commission and each working interest owner in the subject unit an itemized schedule of well costs within 30 days after the date of completion of the subject well.

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

-4-

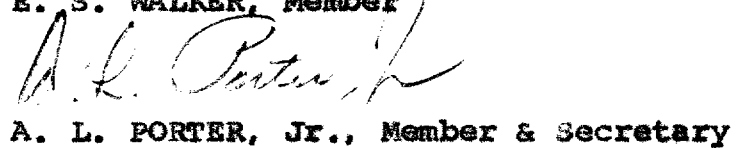
CASE No. 2655
Order No. R-2339

DONE at Farmington, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



EDWIN L. MECHEM, Chairman


E. S. WALKER, Member
A. L. PORTER, Jr., Member & Secretary

esr/