

Upper Pennsylvanian Gas Pool, Undesignated McMillan-Atoka Gas Pool, Undesignated Angel Ranch Atoka-Morrow Gas Pool, Undesignated East Lake-Morrow Gas Pool and Undesignated North McMillan-Morrow Gas Pool; and

the NE/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent.

~~(3) The applicant has the right to drill and proposes to drill a standard gas well location for 160-acre spacing units but unorthodox for zones developed on 320-acre spacing.~~

( 3 ) Said units are to be dedicated to a single well to be drilled 990 feet from the North ~~line~~ and East lines (Unit A) of said Section 20, ~~line~~ which is a standard gas well location for 160-acre spacing units but an unorthodox gas well location for ~~20~~ these zones developed on 320-acre spacing.

( 4 ) The applicant has the right to develop the minerals underlying both of the ~~also~~ aforesaid spacing units.

(5) Based on the geological testimony presented at the hearing a well at the proposed unorthodox location should penetrate a thicker portion of the Lower Morrow interval than a well drilled at a standard location thereon, thereby increasing the chances of intersecting a gas bearing zone within the Morrow formation.

(6) No offset operator ~~objected to the proposed unorthodox gas well location.~~  
*or interested party appeared at the hearing in opposition to this application.*

(4) There are interest owners in the proposed proration units who have not agreed to pool their interests.

*space* (5) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste 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 any pool resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

(6) The applicant should be designated the operator of the subject well and unit.

(7) 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) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) Following determination of reasonable well costs, any non-consenting working interest owner who 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.

CaseNo. 9786  
OrderNo. R-9052  
PageNo. 2

(4) The aforesaid Order No. R-3221 was issued in order to afford reasonable protection against contamination of fresh water supplies designated by the State Engineer through disposal of water produced in conjunction with the production of oil or gas or both, in unlined surface pits.

(5) The State Engineer has designated pursuant to Section 70-2-1(15) N.M.S.A. (1978 Compilation) underground water in the State of New Mexico containing 9,000 parts per million or less of dissolved solids as fresh water supplies to be afforded reasonable protection against contamination except that said designation does not include any water for which there is no present or reasonable foreseeable beneficial use that would be impaired by contamination.

(6) The applicant now seeks an exception to the provisions of the aforesaid Decree Paragraph No. (3) of Order No. R-3221 to permit the disposal of produced brine from the West Lusk Delaware Pool by the applicant Lusk "16" State Well Nos. 1 and 2, located in Units M and L, respectively, in said Section 16, in an unlined surface pit located in the W/2 SW/4 of said Section 16.

(7) Said wells are currently producing a total of approximately 65 barrels of water per day.

(8) There appears to be no shallow fresh water in the vicinity of the subject leases for which a present or reasonable foreseeable beneficial use is or will be made that would be impaired by contamination from the proposed disposal pits.

( ) The applicant should be authorized to utilize an unlined surface pit to be constructed to the specifications shown on Exhibit No. 9 presented as evidence at the time of the hearing on a site within the SW/4 SE/4 (Unit O) of said Section 16.

(9) To prevent the economic loss caused by gathering and trucking water produced by the applicant Lusk "16" State Well Nos. 1 and 2, authority to dispose of the produced water in unlined surface pits on said leases should be granted.

(10) Approval of disposal as described above will not impair correlative rights nor cause waste but will in fact protect correlative rights and may prevent waste by prolonging the productive life of the subject leases.

IT IS THEREFORE ORDERED THAT:

(1) The applicant Woodbine Petroleum, Inc. is hereby granted an exception to Decree Paragraph No. (3) of Division Order No. R-3221 as amended to dispose of water

<sup>14</sup>(11) \$ 500<sup>00</sup> per month while drilling and \$ 500<sup>00</sup> per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); 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.

<sup>15</sup>(12) 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.

<sup>16</sup>(13) 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 September 15, 1991, the order pooling said unit should become null and void and of no further effect whatsoever.

<sup>17</sup>(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, ~~this order should thereafter be of no further effect.~~

<sup>18</sup>(15) ~~The operator of the well and unit~~ <sup>*the compulsory pooling provision of*</sup> should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Morrow formation, underlying the following described area in Section 20, Township 19 South, Range 27 East, NMPM, Eddy County, New Mexico, ~~in the following manner:~~

*are hereby pooled*  
the N/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes, but is not necessarily limited to the Undesignated East Lake McMillan-Wolfcamp Gas Pool, Undesignated McMillan-Upper Pennsylvanian Gas Pool, Undesignated McMillan-Atoka Gas Pool, Undesignated Angel Ranch Atoka-Morrow Gas Pool, Undesignated East Lake-Morrow Gas Pool and Undesignated North McMillan-Morrow Gas Pool; and

<sup>14</sup>(11) \$ 5000<sup>00</sup> per month while drilling and \$ 500<sup>00</sup> per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); 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.

<sup>15</sup>(12) 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.

<sup>16</sup>(13) 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 September 15, 1991, the order pooling said unit should become null and void and of no further effect whatsoever.

<sup>17</sup>(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, ~~this order should thereafter be of no further effect.~~

<sup>18</sup>(15) The operator of the well and unit ~~should~~ <sup>*the compulsory pooling provision of*</sup> notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Morrow formation, underlying the following described area in Section 20, Township 19 South, Range 27 East, NMPM, Eddy County, New Mexico, in the following manner:

*are hereby pooled*  
the N/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes, but is not necessarily limited to the Undesignated East Lake McMillan-Wolfcamp Gas Pool, Undesignated McMillan-Upper Pennsylvanian Gas Pool, Undesignated McMillan-Atoka Gas Pool, Undesignated Angel Ranch Atoka-Morrow Gas Pool, Undesignated East Lake-Morrow Gas Pool and Undesignated North McMillan-Morrow Gas Pool; and

the NE/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent.

(2) ~~Said units~~ <sup>are</sup> to be dedicated to a single well to be drilled 990 feet from the North ~~line~~ and East lines (Unit A) of said Section 20, ~~line~~ which is a standard gas well location for 160-acre spacing units but an unorthodox gas well location for ~~these~~ those zones developed on 320-acre spacing.

~~(1) The applicant has the right to develop the minerals underlying both of the ~~above~~ <sup>above</sup> 320-acre spacing units.~~

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15 day of September, 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15<sup>th</sup> day of September, 1990, Decretory Paragraph No. (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 said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Decretory Paragraph No. (1) of this order should not be rescinded.

3 (2) Mewbourne Oil Company is hereby designated the operator of the subject well and unit.

4 (3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

5 (4) 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 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.

6 (5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; 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, 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.

IV. COMPLETION DATA

Designate Type of Completion - (X)		Oil Well	Gas Well	New Well	Workover	Deepen	Pile Bees	Same Reelv.	Oil. Reelv.
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Data Spudded	Data Compl. Ready to Prod.	Total Depth	P.B.T.D.	Elevations (D.F., RKB, RT, CR, etc.)		Name of Producing Formation		Top Oil/Gas Pay	Tubing Depth	Performances
TUBING, CASING, AND CEMENTING RECORD										
HOLE SIZE		CASING & TUBING SIZE		DEPTH SET		SACKS CEMENT				

V. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL

Test must be after recovery of total volume of load off and must be equal to or exceed top allow-  
able for this depth or be for full 24 hours)

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	Chase Size
Length of Test	Tubing Pressure	Casing Pressure	Chase Size
Actual Prod. During Test	Oil - Bbls.	Water - Bbls.	Gas - MCF

GAS WELL

Actual Prod. Test - MCF/D	Length of Test	Bbls. Condensate/MCF	Gravity of Condensate
Tooling Method (Prest. Seal pr.)	Tubing Pressure (Shut-In)	Casing Pressure (Shut-In)	Chase Size

Case No. 10330

Order No. R- \_\_\_\_\_

Page No. 5

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who 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) 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; and
- (B) As a charge for the risk involved in the drilling of the well, 200 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) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$ 5000.00 per month while drilling and \$ 500.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); 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) Any unleased 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)<sup>12</sup> Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12)<sup>13</sup> 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; 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)<sup>14</sup> Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14)<sup>15</sup> ~~The for~~ <sup>the compulsory pooling provisions of</sup> The operator of the subject well and unit ~~is~~ shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(15)<sup>16</sup> 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

WILLIAM J. LEMAY  
Director

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