

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 9909  
ORDER NO. R-9168

APPLICATION OF NEARBURG PRODUCING  
COMPANY FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 18, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 1st day of May, 1990, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Nearburg Producing Company, seeks an order pooling all mineral interests in the Northeast Lovington-Pennsylvanian Pool underlying the E/2 NW/4 of Section 17, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for said pool.
- (3) The applicant has the right to drill a well in said unit and proposes to drill at a standard oil well location in the NE/4 NW/4 (Unit C) of said Section 17.
- (4) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

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(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 oil in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(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.

(11) At the time of the hearing the applicant requested that overhead rates of \$7000.00 per month while drilling and \$700.00 per month while producing be fixed as reasonable charges for supervision.

(12) The 1989 Survey of Combined Fixed-Rate Charges for Oil and Gas Producers, published by Ernst & Young, shows average overhead rates of \$6082.00 while drilling and \$581.00 while producing for oil wells drilled to 15,000 feet in this area.

(13) The proposed overhead rates should be adjusted to reflect amounts more consistent with the rates described above.

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(14) \$6000.00 per month while drilling and \$575.00 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.

(15) 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.

(16) 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 July 1, 1990, the order pooling said unit should become null and void and of no further effect whatsoever.

(17) 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.

(18) The operator of the well and unit 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, in the Northeast Lovington-Pennsylvanian Pool, underlying the E/2 NW/4 of Section 17, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit for said pool, said unit to be dedicated to a well to be drilled at a standard oil well location in the NE/4 NW/4 (Unit C) of said Section 17.

**PROVIDED HOWEVER THAT,** the operator of said unit shall commence the drilling of said well on or before the 1st day of July, 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Northeast Lovington-Pennsylvanian Pool.

**PROVIDED FURTHER THAT,** in the event said operator does not commence the drilling of said well on or before the 1st day of July, 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.

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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.

(2) Nearburg Producing Company is hereby designated the operator of the subject well and unit.

(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.

(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.

(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.

(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

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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) \$6000.00 per month while drilling and \$575.00 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) 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) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea 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) 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.


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(14) The operator of the subject well and unit 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) 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

# PETROLEUM INFORMATION MIDLAND REGION REPORT

## SECTION IV - 08/08/90

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### NEW MEXICO DRILLING PROGRESS LEA COUNTY CONTINUED

**CONTR:** HONDO DRLG, RIG #10; **SPUD:** 03/11/90, **CSG:** 13 3/8 @ 455 W/450 SX, 9 5/8 @ 5027 W/1830 SX, 5 1/2 @ 12100; **LOG TYPES:** DLL, GR, LSS, MSFL; **DRLG COMMENTS:** NO CORES OR DSTS RPTD 12100 TD, (TD REACHED: 04/ 16/90), **RIG REL:** 04/20/90; ... 12100 TD, TITE HOLE (LDIR 07/11/90)

<b>YATES PET</b> 1 DAISY "AFS" STATE API 30-025-30769	<b>3-16S-35E</b> 2310 FNL 1850 FEL SEC IC 300257000390	<b>EIDSON NORTHEAST;</b> 12600 MISSISSIPPIAN, (FR 01/03/90MD) (ST APPD PMT: 01/02/90) <b>OPER ADD:</b> 105 S 4TH ST, ARTESIA, NM, 88210 PHONE (505) 748-1471; <b>EL:</b> 4008 GR; <b>LOCATION DATA:</b> IRREG SEC, 11 NE BUCKEYE, NM; (VERTICAL)
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**CONTR:** ZIADRIL INC, RIG #3; **SPUD:** 05/08/90 (EST), **CSG:** 13 3/8 @ 524 W/450 SX, 8 5/8 @ 4582 W/1800 SX, 5 1/2 @ 12700 W/1875 SX; **DST # 1, TITE DST # 2, TITE DST # 3, TITE; DRLG COMMENTS:** NO CORES, THREE DSTS (TITE) RPTD 12700 TD, (TD REACHED: 06/ 10/90), **RIG REL:** 06/12/90; ... 12700 TD, TITE HOLE (LDIR 07/18/90)

<b>BRIDGE OIL</b> 1 ANDERSON ROY API 30-025-30939	<b>12-16S-36E</b> NW NE 990 FNL 2310 FEL SEC IC 300257022790	<b>LOVINGTON NORTHEAST;</b> 11800 PENNSYLVANIAN, (FR 07/03/90MD) (ST APPD PMT: 07/02/90) <b>OPER ADD:</b> BOX 77, ANDREWS, TX, 79714 PHONE (915) 524-4665; <b>EL:</b> 3868 GR; <b>LOCATION DATA:</b> 2 MI E LOVINGTON, NM; (VERTICAL)
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LOC,

<b>PENNZOIL EXPL &amp; PROD</b> 5 STATE "16" API 30-025-30926	<b>16-16S-37E</b> NW SW 2310 FSL 900 FWL SEC IC 300257020390	<b>LOVINGTON NORTHEAST;</b> 12200 PENNSYLVANIAN, (FR 06/13/90MD) <b>OPER ADD:</b> DRAWER 1828, MIDLAND, TX, 79702 PHONE (915) 682-7316; <b>EL:</b> 3812 GR; <b>LOCATION DATA:</b> 9 MI NW KNOWLES, NM; (VERTICAL)
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**CONTR:** WILLBROS DRLG, RIG #3; **SPUD:** 06/20/90, **CSG:** 13 3/8 @ 420, 8 5/8 @ 4400, 5 1/2 @ 11900; **DST # 1, TITE DST # 2, TITE; DRLG COMMENTS:** NO CORES, TWO DSTS (TITE) RPTD 11900 TD, 11864 PBTD, **RIG REL:** 07/20/90; **PROD TEST(S):** COMP WORK-NO DETAILS 11900 TD, PB 11864, COMPLETING (LDIR 07/27/90)

<b>NEARBURG PROD</b> 1 MADDUX "17C" API 30-025-30902	<b>17-16S-37E</b> NE NW 660 FNL 2130 FWL SEC IC 300257017590	<b>LOVINGTON NORTHEAST;</b> 12200 PENNSYLVANIAN, (FR 05/14/90MD) <b>OPER ADD:</b> BOX 31405, DALLAS, TX, 75231-0405 PHONE (214) 739-1778; <b>EL:</b> 3834 GR; <b>LOCATION DATA:</b> 5 MI SE LOVINGTON, NM; (VERTICAL)
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**CONTR:** HONDO DRLG, RIG #5; **SPUD:** 07/18/90, **CSG:** 13 3/8 @ 369, 8 5/8 @ 4212; ... DRLG 7020 (LDIR 08/03/90)

<b>AMERIND OIL</b> 1 WEST KNOWLES API 30-025-30940	<b>35-16S-37E</b> SE SW 1300 FSL 1750 FWL SEC IC 300257022890	<b>SHIPP;</b> 11800 STRAWN, (FR 07/06/90MD) (ST APPD PMT: 07/05/90) <b>OPER ADD:</b> 415 W WALL STE 500, MIDLAND, TX, 79701 PHONE (915) 682-8217; <b>EL:</b> 3762 GR; <b>LOCATION DATA:</b> 9 MI SE LOVINGTON, NM; (VERTICAL)
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**CONTR:** ZIADRIL INC, RIG #2; **SPUD:** 07/12/90, **CSG:** 12 3/4 @ 390 W/350 SX, 8 5/8 @ 4200 W/1550 SX; ... DRLG 11482 (LDIR 08/03/90)

<b>CONOCO INC</b> 12 WEST KNOWLES API 30-025-30929	<b>35-16S-37E</b> SW NW 2310 FNL 680 FWL SEC IC 300257020690	<b>SHIPP;</b> 11900 STRAWN, (FR 06/18/90MD) (ST APPD PMT: 06/18/90) <b>OPER ADD:</b> 10 DESTA DR WEST, MIDLAND, TX, 79705 PHONE (915) 686-5400; <b>EL:</b> 3769 GR; <b>LOCATION DATA:</b> 9 MI SE LOVINGTON, NM; (VERTICAL)
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LOC,

<b>PHILLIPS PET</b> 10 EILLIAMS FEDERAL IC 30-025-70232-90 LOC,	<b>34-17S-33E</b> NW NE 990 FNL 2310 FEL SEC	<b>MALJAMAR;</b> 4800 GRAYBURG-SAN ANDRES, (FR 07/13/90MD) <b>OPER ADD:</b> 4001 PENBROOK, ODESSA, TX, 79762 PHONE (915) 367-1286; <b>EL:</b> 4155 GR; <b>LOCATION DATA:</b> 8 MI SE MALJAMAR, NM; (VERTICAL)
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<b>ORYX ENERGY</b> 1 GARCIA FEDERAL API 30-025-30903	<b>24-17S-35E</b> SE NW 1980 FNL 1980 FWL SEC IC 300257017690	<b>SHOE BAR SOUTH;</b> 13000 ATOKA, (FR 05/14/90MD) <b>OPER ADD:</b> BOX 1861, MIDLAND, TX, 79702 PHONE (915) 688-0300; <b>EL:</b> 3911 GR; <b>LOCATION DATA:</b> 5 MI NE BUCKEYE, NM; (VERTICAL)
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**CONTR:** ZIADRIL INC, RIG #3; **SPUD:** 06/28/90, ... UNRPTD TD, CIRC (LDIR 07/26/90)

<b>PHILLIPS PET</b> 5 VACUUM (ABO) UNIT TR 7 API 30-025-30759	<b>27-17S-35E</b> SE SE 850 FSL 850 FEL SEC IC 300257037389	<b>VACUUM;</b> 9000 ABO, (FR 12/18/89MD) (ST APPD PMT: 12/15/89) <b>OPER ADD:</b> 4001 PENBROOK ST, ODESSA, TX, 79762 PHONE (915) 367-1286; <b>EL:</b> 3928 GR; <b>LOCATION DATA:</b> 4 MI E BUCKEYE, NM; (VERTICAL)
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**CONTR:** CACTUS DRLG, RIG #53; **SPUD:** 02/02/90, **CSG:** 13 3/8 @ 1640 W/1500 SX, 8 5/8 @ 5100 W/2950 SX, 5 1/2 @ 8900 W/1100 SX; **DRLG COMMENTS:** NO CORES OR DSTS RPTD DOC TO 8856 8900 TD, (TD REACHED: 02/ 25/90) 8856 PBTD **RIG REL:** 02/26/90; **PROD TEST(S):** PERF, 8686-8696, 8700-8754, W/128 SHOTS, ACID (8686-8754) W/ 1974 GALS, S 3 BO, 51 BW, 6 HR, PERF 8686-8754 GROSS, ACID (8686-8754) W/ 2500 GALS, SWBD 46 BF W/TR OIL IN 4 HRS PERF 8686-8754 GROSS, ACID (8686-8754) W/ 2500 GALS, S 6 BO, 70 BW, 4 HR, PERF, 8550-8582, 8592-8595, 8606-8614, 8634-8640, W/98 SHOTS, SQZD (8550-8754) W/100 SX & DOC PERF, 8400-8414, 8426-8432, 8444-8454, 8459-8461, 8472-8498, W/116 SHOTS, ACID (8400-8498) W/ 4500 GALS, S 100 BW, 10 HR, SQZD (CMT-NO DETAILS) & DOC SQZD 8400-8498 PERF, 8700-8702, 8713-8717, 8734-8740, W/28 SHOTS, ACID (8700-8740) W/ 1000 GALS, S 6 BO, 160 BW, 10 HR, ... 8900 TD, PB 8856, WOP & ELEC (LDIR 07/11/90)

<b>EXXON CORP</b> 36 NEW MEXICO "K" STATE API 30-025-30805	<b>28-17S-35E</b> SW SW 430 FSL 330 FWL SEC IC 300257006690	<b>VACUUM;</b> 8500 GLORIETA, (FR 02/20/90MD) (ST APPD PMT: 02/19/90) <b>OPER ADD:</b> BOX 1800, MIDLAND, TX, 79702 PHONE (915) 688-6100; <b>EL:</b> 3951 GR; <b>LOCATION DATA:</b> 2 MI E BUCKEYE, NM; (VERTICAL)
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**CONTR:** CACTUS DRLG, RIG #53; **SPUD:** 03/23/90, **CSG:** 13 3/8 @ 460 W/400 SX, 8 5/8 @ 4808 W/1425 SX, 5 1/2 @ 6303 W/350 SX; **DRLG COMMENTS:** NO CORES OR DSTS RPTD 6310 TD, 6252 PBTD, **RIG REL:** 04/11/90; **PROD TEST(S):** PERF, 5946-6006, 6022-6132, ACID (5946-6132), S 91 BW, 24 HR, PERF 5946-6132 GROSS, P 4 BOPD, 15 MCFD, 10 BW, 24 HR, PERF 5946-6132 GROSS, ACID (5946-6132), P 92 BOPD, 49 BW, 24 HR, PERF 5946-6132 GROSS, P 43 BOPD, 21 BW, 24 HR, PERF 5946-6132 GROSS, P 31 BOPD, 16 MCFD, 13 BW, 24 HR, PERF 5946-6132 GROSS, P 38 BOPD, 18 MCFD, 17 BW, 24 HR, ... 6310 TD, PB 6252, COMPLETE (LDIR 07/31/90)