

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. 12174
Order No. R-11178

APPLICATION OF ENERGEN RESOURCES CORPORATION FOR
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 29, 1999, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 5th day of May, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Energen Resources Corporation ("Energen"), seeks an order pooling all mineral interests within the Wolfcamp and Strawn formations underlying the following described acreage in Section 35, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico, in the following manner:

(a) as to the Strawn formation, the W/2 SW/4 to form a standard 80-acre oil spacing and proration unit for the Undesignated West Lovington Strawn Pool; and

(b) as to the Wolfcamp formation, the SW/4 SW/4 to form a standard 40-acre oil spacing and proration unit for the Townsend Permo Upper Pennsylvania Pool.

(3) These units are to be dedicated to the applicant's proposed Beadle Well No. 1 (**API No. 30-025-34606**) to be drilled and completed at a standard oil well location 330 feet from the South and West lines (Unit M) of Section 35.

(4) The applicant is a working interest owner within the 80-acre and 40-acre units and has the right to drill for and develop the minerals underlying these units.

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

(6) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford the owner of each interest in the 80-acre and 40-acre units the opportunity to recover or receive without unnecessary expense its just and fair share of the production in any pool completion resulting from this order, this application should be approved by pooling all mineral interests, whatever they may be, within these units.

(7) Energen should be designated the operator of the subject well and units.

(8) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production.

(9) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its 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.

(10) Any non-consenting working 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.

(11) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its 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.

(12) Reasonable charges for supervision (combined fixed rates) should be fixed at \$1,000.00 per month while drilling and \$600.00 per month while producing. The operator should be authorized to withhold from production the proportional share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.