

opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved. Order No. R-11542, insofar as it provides for pooling all interests within the Original Unit, should be rescinded, and said Order should be amended to provide for pooling all uncommitted mineral interests, whatever they may be, within the Amended Unit.

(9) Applicant should be designated the operator of the proposed well and of the Amended Unit.

(10) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. ("Uncommitted working interest owners" are owners of working interests in the Amended Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Amended Unit.) 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.

(11) 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% thereof as a reasonable charge for the risk involved in drilling the well.

(12) 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.

(13) 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.

(14) Reasonable charges for supervision (combined fixed rates) should be fixed at \$5,400 per month while drilling and \$540 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator should be authorized to withhold from production the proportionate 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.

(15) Except as noted in Findings (11) and (14) above, all proceeds from production from the well that 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) If the operator fails to commence drilling the well to which the Amended Unit is dedicated on or before October 1, 2001, or if all the parties to this forced pooling reach voluntary agreement subsequent to the entry of this order, this order should become of no effect.

(17) The operator should notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Yates Petroleum Corporation, Division Order No. R-11542, insofar as it provides for pooling of all uncommitted mineral interests from the surface to the base of the Mississippian formation underlying the S/2 of Section 13, Township 15 South, Range 34 East, NMPM, Lea, New Mexico, is hereby rescinded, and said Order is hereby amended to provide that all uncommitted mineral interests from the surface to the base of the Mississippian formation underlying the W/2 of said Section 13, be pooled, as follows:

- (a) The W/2, forming a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent which presently include but are not necessarily limited to the Undesignated Morton-Morrow Gas Pool.
- (b) The SW/4, forming a standard 160-acre spacing and proration unit for all formations or pools spaced on 160 acres within this vertical extent

This unit (the "Amended Unit") shall be dedicated to Applicant's Chevy "AWV" Well No. 1 to be drilled at a standard well location within the NE/4 SW/4 (Unit K) of Section 13.

(2) The operator of the Amended Unit shall commence drilling the proposed well on or before October 1, 2001, and shall thereafter continue drilling the well with due diligence to test the Mississippian formation.

