

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. 12358  
ORDER NO. R-11348

APPLICATION OF MARBOB ENERGY 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 March 16, 2000, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of March, 2000, 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, Marbob Energy Corporation ("Marbob"), seeks an order pooling all uncommitted mineral interests in the Atoka and Morrow formations underlying the S/2 of Section 15, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for the South Shoe Bar-Atoka and Undesignated North Vacuum Atoka-Morrow Gas Pools. This unit is to be dedicated to the applicant's proposed Giles State Com Well No. 1 (API No. 30-025-34939)\* to be drilled at a standard gas well location 1900 feet from the South line and 660 feet from the East line (Unit I) of Section 15.
- (3) The applicant has the right to drill and proposes to drill its Giles State Com Well No. 1 at the standard gas well location described above.
- (4) There are interest owners in the proposed proration unit that have not agreed to pool their interests.

(5) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the proration unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within the unit.

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

(7) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. 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.

(8) 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 drilling 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 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.

(11) Reasonable charges for supervision (combined fixed rates) should be fixed at \$5,400.00 per month while drilling and \$540.00 per month while producing. 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.

(12) 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.

(13) If the operator of the pooled unit fails to commence drilling the well to which the unit is dedicated on or before July 1, 2000, or if all the parties to this forced pooling reach

