

**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. 15248
ORDER NO. R-13953**

**APPLICATION OF RMR OPERATING, LLC FOR A NON-STANDARD
SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This matter came on for hearing at 8:15 a.m. on December 18, 2014, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze.

NOW, on this 23rd day of January, 2015, 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 of the subject matter.
- (2) RMR Operating, LLC ("RMR" or "Applicant") seeks approval of a non-standard 234.75-acre, more or less, oil spacing and proration unit (project area) in the Delaware formation, Southwest Jabalina-Delaware Pool (pool code 97597), comprised of Lot 2 and the NW/4 NE/4 of Section 36, and the W/2 E/2 of Section 25, Township 26 South, Range 34 East, NMPM, in Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit.
- (3) The Unit will be dedicated to the Applicant's Madera 25 Federal Well No. 2H (the "subject well"; API No. 30-025-40633), a horizontal well drilled from a surface location 330 feet from the North line and 2080 feet from the East line (Unit letter B) of Section 25, to a standard terminus 330 feet from the South line and 2080 feet from the East line (Lot 2) of Section 36. The completed interval of the subject well in the Delaware formation in Section 25 and Section 36 will be orthodox.

(4) The subject well is within the Southwest Jabalina-Delaware Pool (pool code 97597). Spacing in this pool is governed by statewide Rule 19.15.15.9A. NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of six adjacent quarter-quarter sections.

(5) All working interest owners in the Unit have ratified or joined the proposed Communitization Agreement, leaving only owners of bare record title who have not joined.

(6) At the hearing, the Applicant through counsel presented by affidavit land and geologic evidence to the effect that:

- (a) Applicant provided notice of publication for the unlocatable interests;
- (b) the Delaware formation in this area is suitable for development by horizontal drilling;
- (c) the orientation of the horizontal well North to South or South to North is appropriate for the proposed Unit; and
- (d) all quarter-quarter sections to be included in the Unit are productive in the Delaware formation, so that formation of the Unit as requested will not impair correlative rights.

(7) Applicant requested to be designated the operator of the subject well and the Unit.

(8) Applicant requested that no provisions be made regarding sharing of costs or revenues since the party to be pooled owns only the record title.

(9) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes as follows:

(10) Approval of the proposed non-standard unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights.

(11) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas in one or more tracts included in the Unit that are separately owned.

(12) The interests of the record title owners should be pooled for the purpose of combining all interests in the Unit.

(13) Once the interests are pooled by order of the Division, then all heirs, devisees, and successors will have either ratified and joined the Communitization Agreement or will have had their interests combined by order of the Division.

(14) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled the subject well to a common source of supply within the Unit at the proposed location.

(15) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford the owner of each interest in the 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 interests, whatever they may be, in the oil and gas within the Unit.

(16) RMR should be designated the operator of the subject well and the Unit.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 234.75-acre oil spacing and proration unit (the "Unit") is hereby established for the Delaware formation, the Southwest Jabalina-Delaware Pool (pool code 97597), consisting of Lot 2 and the NW/4 NE/4 of Section 36, and the W/2 E/2 of Section 25, Township 26 South, Range 34 East, NMPM, in Lea County, New Mexico.

(2) Pursuant to the application of RMR Operating, LLC, all uncommitted interests, whatever they may be, in the oil and gas in the Delaware formation underlying the Unit are hereby pooled.

(3) The Unit shall be dedicated to the Applicant's Madera 25 Federal Well No. 2H (the "subject well"; API No. 30-025-40633), a horizontal well drilled from a surface location 330 feet from the North line and 2080 feet from the East line (Unit letter B) of Section 25, to a standard terminus 330 feet from the South line and 2080 feet from the East line (Lot 2) of Section 36. The completed interval of the subject well in the Delaware formation in Section 25 and Section 36 will be orthodox.

(4) Upon final plugging and abandonment of the subject well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(5) RMR Operating, LLC (OGRID 281085) is hereby designated the operator of the well and the Unit.

(6) All proceeds from production from the subject well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A7-8A-28, as amended).

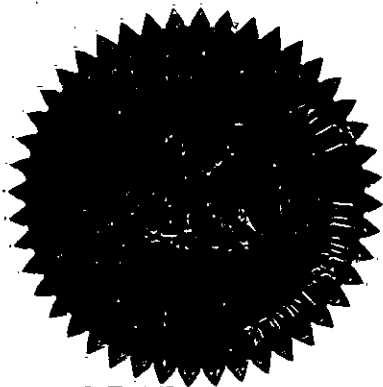
(7) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this order shall thereafter be of no further effect.

(8) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

(9) This order is subject to approval of compulsory pooling of federal lands by the United States Bureau of Land Management.

(10) Jurisdiction of this case 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "David R. Catanach".

DAVID R. CATANACH
Director