

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. 11789
ORDER NO. R-10827*

**APPLICATION OF APACHE CORPORATION 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 May 29, 1997 in Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 26th day of June, 1997, 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, Apache Corporation, seeks an order pooling all mineral interests in all formations underlying the following described acreage in Section 28, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico, and in the following manner:

(a) the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent;

(b) the S/2 SE/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent;
and,

(c) the SW/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which includes but is not necessarily limited to the Undesignated Garrett-Drinkard Pool, Undesignated Knowles-Abo Pool, Undesignated West Knowles-Strawn Pool, Undesignated Knowles-Devonian Pool, and Undesignated West Knowles-Devonian Pool.

(3) Said units are to be dedicated to its proposed **Maltese Falcon "28" Well No. 1** to be drilled at a standard location within the SW/4 SE/4 (Unit O) of said Section 28.

(4) At the time of the hearing the applicant requested to dismiss that portion of this application seeking to pool the above-described 160-acre and 80-acre areas and to limit the vertical extent of the remaining forced pooling request to the base of the Strawn formation.

(5) The applicant owns an interest in the SW/4 SE/4 of said Section 28 and as such has the right to drill for and develop the minerals underlying the proposed 40-acre oil spacing and proration unit.

(6) There are royalty interest owners in the proposed 40-acre oil spacing and proration unit who have not agreed to pool their interests.

(7) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste, and to afford to the owner of each royalty interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of hydrocarbon production in any pool resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(8) Apache Corporation should be designated the operator of the subject well and unit.

(9) 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.

(10) 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 September 30, 1997, the order

pooling said unit should become null and void and of no further effect whatsoever.

(11) 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.

(12) 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, from the surface to the base of the Strawn formation, underlying the SW/4 SE/4 of Section 28, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which includes but is not necessarily limited to the Undesignated Garrett-Drinkard Pool, Undesignated Knowles-Abo Pool, and Undesignated West Knowles-Strawn Pool. Said unit is to be dedicated to the proposed **Maltese Falcon "28" Well No. 1** to be drilled at a standard location within the SW/4 SE/4 (Unit O) of said Section 28.

PROVIDED HOWEVER THAT, the operator shall commence the drilling of said well on or before the thirtieth day of September, 1997, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Strawn formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the thirtieth day of September, 1997, 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.

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) Apache Corporation is hereby designated the operator of the subject well and unit.

(3) 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.

(4) 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 90 days from the date of first deposit with said escrow agent.

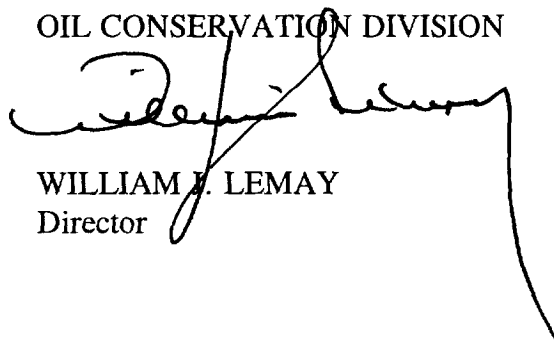
(5) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(6) 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.

(7) 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

S E A L