

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:**

**CASE 12201
ORDER NO. R-11206**

**APPLICATION OF OIL CONSERVATION DIVISION TO ADOPT CERTAIN
DEFINITIONS TO BE PLACED IN SECTION A.7 (19 NMAC 15.A.7) OF THE
DIVISION RULES.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a.m. on June 17, 1999, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 17th day of June, 1999, the Commission, a quorum being present, having considered the record,

FINDS THAT:

- (1) Due public notice has been given and the Commission has jurisdiction of this case and its subject matter.
- (2) New Mexico Oil Conservation Division Rule 7 sets forth definitions of terms used in the rest of the Division Rules.
- (3) Testimony indicated that Rule 7 should be amended to include additional definitions.
- (4) It is necessary to adopt additional definitions in Rule 7 set forth in the attached Exhibit "A".

IT IS THEREFORE ORDERED

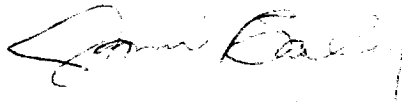
(1) Division Rule 7 is hereby amended to include the definitions set forth in the attached Exhibit "A".

(2) The amendments to Rule 7 shall be effective as of the date of publication in the New Mexico Register.

(3) Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.

(4) Done at Santa Fe, New Mexico, on the day and year hereinabove designated.

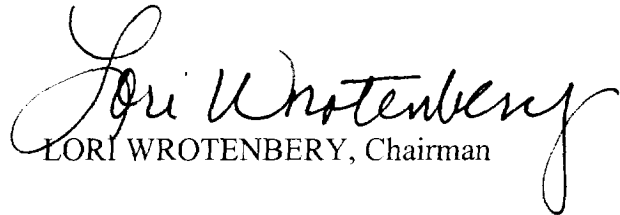
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



JAMI BAILEY, Member



ROBERT L. LEE, Member



LORI WROTENBERY, Chairman

S E A L

EXHIBIT "A"
CASE NO. 12201
ORDER NO. R-11206

7 DEFINITIONS

MINERAL ESTATE is the most complete ownership of oil and gas recognized in law and includes all the mineral interests and all the royalty interests.

MINERAL INTEREST OWNERS are owners of an interest in the executive rights, which are the rights to explore and develop, including oil and gas lessees (i.e., "working interest owners") and mineral interest owners who have not signed an oil and gas lease.

ROYALTY INTEREST OWNERS are owners of an interest in the non-executive rights including lessors, royalty interest owners and overriding royalty interest owners. Royalty interests are non-cost bearing.

WORKING INTEREST OWNERS are the owners of the operating interest under an oil and gas lease who have the exclusive right to exploit the oil and gas minerals. Working interests are cost bearing.

PRORATION UNIT is the area in a pool that can be effectively and efficiently drained by one well as determined by the Division or Commission (See NMSA 1978, § 70-2-17.B) as well as the area assigned to an individual well for the purposes of allocating allowable production pursuant to a prorationing order for the pool. A proration unit will be the same size and shape as a spacing unit. All proration units are spacing units but not all spacing units are proration units.

SPACING UNIT is the area allocated to a well under a well spacing order or rule. Under the Oil & Gas Act, NMSA 1978, § 70-2-12.B(10), the Commission has the power to fix spacing units without first creating proration units. See Rutter & Wilbanks Corp. v. Oil Conservation Comm'n, 87 N.M. 286 (1975). This is the area designated on Division form C-102.

ADJOINING SPACING UNITS are those existing or prospective spacing units in the same pool(s) that are touching at a point or line the spacing unit that is the subject of the application.

EXISTING SPACING UNIT is a spacing unit containing a producing well.

PROSPECTIVE SPACING UNIT is a hypothetical spacing unit that does not yet have a producing well.