

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. 9369
ORDER NO. R-8673

APPLICATION OF HIXON DEVELOPMENT
COMPANY FOR COMPULSORY POOLING,
RIO ARriba COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION :

This cause came on for hearing at 8:15 a.m. on May 25, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 24th day of June, 1988, 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, Hixon Development Company, seeks an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying all of Section 36, Township 26 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, to form a standard 640-acre oil spacing and proration unit for said pool, to be dedicated to the applicant's Tapacitos Well No. 4 located 1100 feet from the South line and 1600 feet from the East line (Unit O) of said Section 36.

(3) The Tapacitos Well No. 4 was spudded on December 9, 1985, and was completed in the Gavilan-Mancos Oil Pool on March 1, 1986, on a standard 320-acre oil spacing and proration unit consisting of the S/2 of said Section 36, all in accordance with the Temporary Rules and Regulations for the pool as promulgated by New Mexico Oil Conservation Commission Order No. R-7407 dated March 1, 1984.

(4) The New Mexico Oil Conservation Commission by Order No. R-7407-E, entered June 8, 1987, enlarged the standard spacing and proration units within the pool to 640 acres consisting of a governmental section, but granted an exception to the new spacing rule for any 320-acre oil spacing and proration unit formed prior to June 8, 1987.

(5) Pursuant to the provisions of New Mexico Oil Conservation Commission Order No. R-7407-E, the 320-acre oil spacing and proration unit consisting of the S/2 of said Section 36 and dedicated to the Tapacitos Well No. 4 was approved as a non-standard oil spacing and proration unit in the pool.

(6) At the time of the hearing the applicant demonstrated that recoverable reserves underlying said Section 36 are insufficient to justify the drilling of a second well in the section, that the Tapacitos Well No. 4 will adequately drain the entire section, and that the drilling of a second well in the section would be uneconomical and would result in waste.

(7) Prior to the date of the hearing in the case, all owners of working interests in the section entered into voluntary agreements for the reformation of the existing non-standard 320-acre oil spacing and proration unit for the Tapacitos Well No. 4 to a standard 640-acre oil spacing and proration unit consisting of all of said Section 36.

(8) Billie Robinson, the owner of 7.5% overriding royalty interest in and under the United States Oil and Gas Lease Serial No. NM-7993 insofar as said lease covers the S/2 and NW/4 of said Section 36, has refused to concur in the reformation of the existing non-standard 320-acre oil spacing and proration unit to a standard 640-acre unit. Virgil Hartquist, the owner of a 5% overriding royalty interest in and under the United States Oil and Gas Lease Serial No. NM-31577 insofar as said lease covers the S/2 NE/4 and NW/4 NE/4 of said Section 36, was not contacted regarding the reformation of the existing non-standard 320-acre oil spacing and proration unit, though the applicant made diligent and reasonable efforts for that purpose by mailing notification of the application in this case to Mr. Hartquist at each of his two (2) last-known addresses by certified letter, return receipt requested, which mailings were returned to the applicant undeliverable.

(9) The lands in said Section 36 are covered by three (3) separate federal oil and gas leases, each of which provides for a 12.5% royalty interest to the United States of America.

(10) The aforementioned owners of the overriding royalty interests and royalty interest under the federal oil and gas leases covering the lands in Section 36 did not enter appearances at the hearing.

(11) To avoid the drilling of unnecessary wells, to protect the correlative rights of various working, royalty and overriding royalty interest owners, to prevent waste and to afford to the owner of each interest in Section 36 the opportunity to recover without unnecessary expense his just and fair share of the hydrocarbons in the Gavilan-Mancos Oil Pool, this application should be approved by

pooling all royalty and/or overriding royalty interests, whatever they may be, within said standard 640-acre oil spacing and proration unit consisting of Section 36, Township 26 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

(12) Applicant's proposal, made at the time of the hearing, that the effective date of an order issued in this case be April 1, 1988 is reasonable and should therefore be adopted.

(13) The applicant should be designated the operator of the subject well and unit.

(14) 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.

(15) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(16) The operator of the well and unit shall notify the Director of 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) All royalty interests and overriding royalty interests in the Gavilan-Mancos Oil Pool underlying all of Section 36, Township 26 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled to form a standard 640-acre oil spacing and proration unit to be dedicated to the Tapacitos Well No. 4 located 1100 feet from the South line and 1600 feet from the East line (Unit O) of said Section 36.

(2) Hixon Development Company is hereby designated the operator of the subject well and unit.

(3) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Rio Arriba 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 30 days from the date of first deposit with said escrow agent.

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

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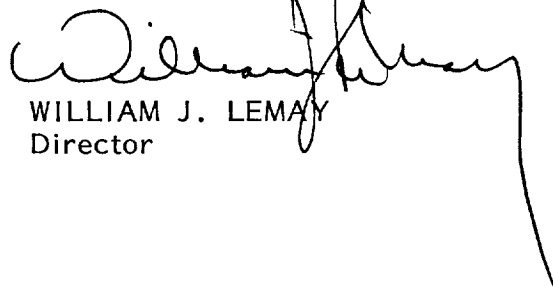
(5) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced-pooling provisions of this order.

(6) The effective date of this order shall be April 1, 1988.

(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

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