

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. 9974
Order No. R-9239

APPLICATION OF MERIDIAN OIL,
INC. 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 June 27, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 23rd day of July, 1990, 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, Meridian Oil, Inc., seeks an order pooling certain record title owners of a federal oil and gas lease in the Basin-Fruitland Coal Gas Pool underlying the S/2 equivalent of Section 35, Township 31 North, Range 4 West, NMPM, Rio Arriba County, New Mexico, forming a standard 320-acre, more or less, gas spacing and proration unit for said pool. Said unit is to be dedicated to the Chicosa Canyon Well No. 1 located at a standard coal gas well location 830 feet from the South line and 1100 feet from the West line (Unit M) of said Section 35.

CASE NO. 9974
Order No. R-9239
Page -2-

(3) The applicant, having the right to do so, has recompleted its Chicosa Canyon Well No. 1 from the Gallup formation to the Basin-Fruitland Coal Gas Pool, and said well is currently capable of commercial gas production from said pool.

(4) The S/2 of said Section 35 consists of Federal Lease No. NM-17775 comprising some 240.71 acres, and a fee lease comprising some 75.56 acres.

(5) All of the working interest owners in the S/2 of said Section 35 have voluntarily committed their interest to the subject well and proration unit, however, there are certain record title owners of Federal Lease No. NM-17775 who have not agreed to pool their interest.

(6) The applicant has made a good faith effort to secure voluntary agreement with the record title owners, but has been unable to do so.

(7) The consent of or the compulsory pooling of said record title owners is required by the Bureau of Land Management before communitization of the two subject leases is approved.

(8) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in the Basin-Fruitland Coal Gas Pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(10) The applicant seeks neither a charge for the risk involved in drilling or recompleting the subject well, nor overhead charges for supervision while drilling or producing the subject well.

CASE NO. 9974
Order No. R-9239
Page -3-

(11) 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.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool underlying the S/2 equivalent of Section 35, Township 31 North, Range 4 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled forming a standard 320-acre, more or less, gas spacing and proration unit for said pool. Said unit shall be dedicated to the Chicosa Canyon Well No. 1 located at a standard coal gas well location 830 feet from the South line and 1100 feet from the West line (Unit M) of said Section 35.

(2) Meridian Oil, Inc. 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.

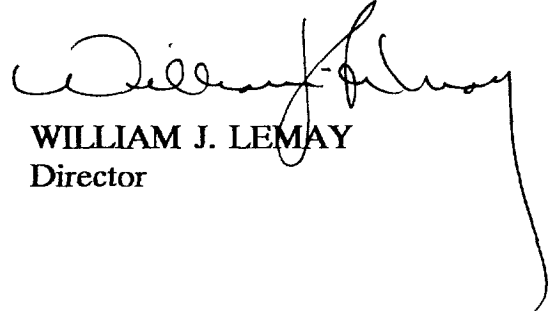
(4) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 9974
Order No. R-9239
Page -4-

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