

**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:**

**APPLICATION OF RMR OPERATING, LLC
TO ALLOW TWO OPERATORS WITHIN A
SPACING UNIT, LEA COUNTY, NEW MEXICO.**

**CASE NO. 14774
Order No. R-13493**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing on December 15, 2011 at 8:15 a.m. at Santa Fe, New Mexico, before Examiner Terry G. Warnell.

NOW, on this 20th day of December, 2011, 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) By its application, RMR Operating, LLC ("Applicant") seeks an order approving two operators in the Sioux-Tansill-Yates-Seven Rivers Pool within an oil spacing unit comprised of the SW/4 NW/4 of Section 16, Township 26 South, Range 36 East, NMPM. The unit will be dedicated to Applicant's proposed Medicine Man State Well No. 1, to be located 1650 feet from the North line and 990 feet from the West line of Section 16, and the existing Draco Energy, Inc. ("Draco") Maralo 16 State Well No. 2, located 1980 feet from the North line and 550 feet from the West line of Section 16.
- (3) Division Rule NMAC 19.15.15.12 requires an operator of a proposed well to be located in a well unit containing an existing well to give the operator of the existing well notice of its intent to file the Application for Permit to Drill ("APD"). If the operator of the existing well objects to the approval of the APD, it must notify the Division in writing no later than 20 days from the date of the letter.
- (4) Applicant presented the following evidence:

(a) The N/2 of Section 16 is subject to State of New Mexico Oil and Gas Lease VB-1089, which was issued on January 1, 2007 and expires on December 31, 2011.

(b) Black Rock Capital, Inc. ("Black Rock") owns 100% of the working interest in the N/2 of Section 16, Township 26 South, Range 36 East, NMPM, from the surface to the base of the Delaware formation.

(c) Draco's Maralo 16 State Well No. 2 was completed in the Sioux-Tansill-Yates-Seven Rivers Pool [56610]. Division records show that Draco filed a Notice of Intent to plug and abandon the Maralo 16 State Well No. 2 in April 2007, but the well has not been plugged.

(d) Draco's well was drilled under a now-expired state oil and gas lease. Thus, Draco owns no working interest in the N/2 of Section 16.

(e) Applicant, a sister company to Black Rock, operates all of Black Rock's operated properties.

(f) On October 27, 2011, Applicant filed with the Division an APD for its Medicine Man State Well No. 1 to test the Sioux-Tansill-Yates-Seven Rivers Pool.

(g) Applicant's APD was not approved by the Division's Hobbs District Office because Draco is listed in the Division's records as operator of the Maralo 16 State Well No. 2, located in the same quarter-quarter section as Applicant's proposed well.

(h) Applicant has complied with Division Rule NMAC 19.15.15.12 by notifying Draco of its intent to file the APD for the Medicine Man State Well No. 1. No objection has been received. However, due to the expiring oil and gas lease, Applicant requests an order from the Division approving it as an operator in the SW/4 NW/4 of Section 16 so that it can timely commence operations to maintain the subject lease in effect.

(5) To protect correlative rights and prevent waste, the application should be approved.

IT IS THEREFORE ORDERED THAT:

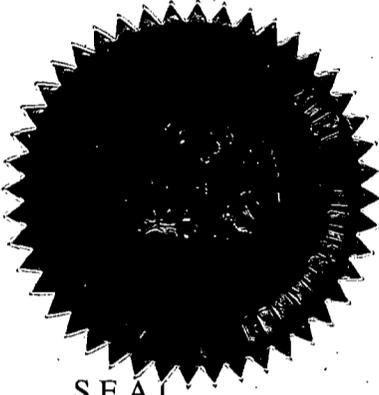
(1) The application of RMR Operating, LLC [OGRID 281085] for an order approving two operators in the Sioux-Tansill-Yates-Seven Rivers Pool within an oil spacing unit comprised of the SW/4 NW/4 of Section 16, Township 26 South, Range 36 East, NMPM, is hereby approved.

(2) The unit will be dedicated to Applicant's proposed Medicine Man State Well No. 1, to be located 1650 feet from the North line and 990 feet from the West line of Section 16, and the existing Draco Energy, Inc. Maralo 16 State Well No. 2, located 1980 feet from the North line and 550 feet from the West line of Section 16.

(3) The Hobbs District Office shall approve the Application for Permit to Drill the Medicine Man State Well No. 1 when it is filed by Applicant if it finds the application to be otherwise approvable, notwithstanding the existence of a well or wells in the spacing unit for which Division records indicates a different operator.

(4) 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

Gabrielle A. Herbst

J JAMI BAILEY
Director