

**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 15678
ORDER NO R 14352**

**APPLICATION OF LIME ROCK RESOURCES II A, L P FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION

This case came on for hearing at 8 15 a m on April 27 2017 at Santa Fe New Mexico, before Examiner William V Jones

NOW on this 16th day of May 2017, 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 the subject matter

(2) Lime Rock Resources II A L P (the 'Applicant) seeks to compulsory pool all uncommitted interests in the oil and gas underlying a standard 40 acre oil spacing and proration unit (the Unit) in the Yeso formation, Atoka Glorieta-Yeso Pool (Pool code 3250) comprising the NW/4 NW/4 of Section 12 Township 18 South, Range 26 East NMPM, Eddy County New Mexico

(3) The Unit will be dedicated to Applicant s Higgins Cahoon 12D Well No 3 (the proposed well API No 30-015-43116) a vertical well to be drilled 990 feet from the North line and 990 feet from the West line (Unit D) of Section 12, Township 18 South Range 26 East NMPM The well location will be standard for oil production within the Unit

(4) The proposed oil well is within the Atoka Glorieta-Yeso Pool and is subject to Division Rule 19 15 15 9(A) NMAC which provides for 330-foot setbacks from the unit

boundaries and standard 40-acre units each comprising a governmental quarter-quarter section

(5) Applicant appeared through counsel and presented the following land and geologic evidence

- (a) the Tubb member of the Yeso formation is the primary completion target,
- (b) Lime Rock intends to drill using a closed loop mud system and complete the well in the most prospective intervals within the Yeso formation as indicated by a mudlog and by electric logs,
- (c) Lime Rock will use a large slick water fracture treatment which has yielded good success in other wells
- (d) the drilling of this well should take approximately six (6) days with an equal amount of time to complete
- (e) the requested supervision charge of \$9,000 per month while drilling would be assessed for only one month and is needed to cover actual overhead costs and
- (f) actual notice was provided by certified mail to all interest owners subject to pooling proceedings as affected parties of the proposed compulsory pooling within the Unit

(6) MRC Permian Company and MRC Energy Company entered an appearance in this case and were represented at the hearing by counsel. No other party entered an appearance or otherwise opposed this application.

The Division concludes as follows

(7) Two or more separately owned tracts are embraced within the Unit and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned

(8) Applicant is owner or affiliate of an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location

(9) There are interest owners in the Unit that have not agreed to pool their interests

(10) To avoid the drilling of unnecessary wells, protect correlative rights prevent waste and afford to the owner of each interest in the Unit the opportunity to recover

or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests whatever they may be in the oil and gas within the Unit

(11) Lime Rock Resources II A L P should be designated the operator of the proposed well and the Unit

(12) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the proposed well

(13) Reasonable charges for supervision (combined fixed rates) should be fixed at \$9000 per month while drilling and \$800 per month while producing, provided that these rates should be adjusted annually pursuant to Section III 1 A 3 of the COPAS form titled *Accounting Procedure Joint Operations*

IT IS THEREFORE ORDERED THAT

(1) Pursuant to the application of Lime Rock Resources II-A L P, all uncommitted interests whatever they may be in the oil and gas underlying a standard 40 acre oil spacing and proration unit (the Unit) in the Yeso formation Atoka Glorieta-Yeso Pool (Pool code 3250) comprising the NW/4 NW/4 of Section 12 Township 18 South Range 26 East NMPM Eddy County New Mexico are hereby pooled

(2) The Unit shall be dedicated to Applicant s Higgins Cahoon 12D Well No 3 (the proposed well API No 30-015-43116) a vertical well to be drilled 990 feet from the North line and 990 feet from the West line (Unit D) of Section 12 Township 18 South Range 26 East NMPM The location of the well will be standard for oil production within the Unit

(3) The operator of the Unit shall commence drilling the proposed well on or before May 31 2018 and shall thereafter continue drilling the proposed well with due diligence to test the Tubb member of the Yeso formation

(4) In the event the operator does not commence drilling the proposed well on or before May 31 2018 Ordering Paragraph (1) shall be of no effect unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence

(5) Should the proposed well not be drilled and completed within 120 days after commencement thereof then Ordering Paragraph (1) shall be of no further effect, and the Unit created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence

(6) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19 15 13 9 NMAC, the pooled Unit shall terminate unless this Order has been amended to authorize further operations

(7) Lime Rock Resources II-A L P (OGRID 277558) is hereby designated the operator of the well and the Unit

(8) After pooling uncommitted working interest owners are referred to as pooled working interest owners ('Pooled working interest owners' are owners of working interests in the Unit, including unleased mineral interests who are not parties to an operating agreement governing the Unit) After the effective date of this order the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling completing and equipping the proposed well (well costs)

(9) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as 'non-consenting working interest owners

(10) The operator shall furnish the Division and each known pooled working interest owner (including non consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well If no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs If there is an objection to actual well costs within the 45-day period the Division will determine reasonable well costs after public notice and hearing

(11) Within 60 days following determination of reasonable well costs any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount if any that the estimated well costs it has paid exceed its share of reasonable well costs

(12) The operator is hereby authorized to withhold the following costs and charges from production from each well

- (a) The proportionate share of reasonable well costs attributable to each non-consenting working interest owner and

- (b) As a charge for the risk involved in drilling the well
200% of the above costs

(13) The operator shall distribute the costs and charges withheld from production, proportionately to the parties who advanced the well costs

(14) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$9000 per month while drilling and \$800 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III 1 A 3 of the COPAS form titled *Accounting Procedure Joint Operations*. The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well not more than what are reasonable attributable to pooled working interest owners

(15) Except as provided in Paragraphs (12) and (14) above all proceeds from production from the proposed well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10 1 through 70-10-6 as amended) If not disbursed such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7 8A 1 through 7-8A-31 as amended)

(16) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests share of production and no costs or charges shall be withheld from production attributable to royalty interests

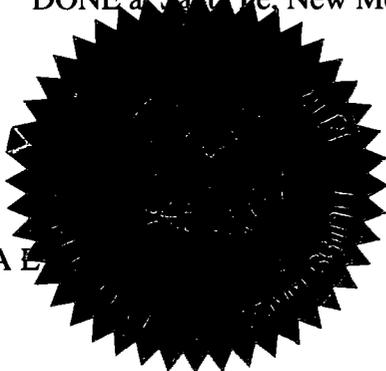
(17) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order this order shall thereafter be of no further effect

(18) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of parties subject to the compulsory pooling provisions of this order

(19) 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

David R. Catanach

DAVID R. CATANACH
Director