

**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. 13805
ORDER NO. R-12694**

**APPLICATION OF BP AMERICA PRODUCTION COMPANY FOR
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 30, 2006, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim

NOW, on this 12th day of January 2007, 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) The applicant, BP America Production Company ("Applicant"), seeks an order pooling all uncommitted mineral interests from the top of the Cisco formation to the base of the Morrow formation underlying Lots 3, 4, S/2NW/4, and SW/4 (the W/2 equivalent) of Section 3, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico, in the following manner:

Lots 3, 4, S/2 NW/4, and SW/4 (W/2 equivalent) to form a standard 321.09-acre gas spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent, which include but are not necessarily limited to the Vacuum-Morrow Gas Pool.

(3) The above-described unit ("the Unit") is to be dedicated to the Applicant's South Sunflower "3" State Com. Well No. 1 that has been drilled at a standard gas well location in Lot 4 of Section 3.

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(4) 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.

(5) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled its South Sunflower "3" State Com Well No. 1 to the Morrow formation. The well is currently producing from the Morrow formation.

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

(7) At the hearing the counsel for BP America Production Company presented the following testimony:

(a) The compulsory Pooling application is to enable BP America Production Company to obtain a Communitization Agreement with the State Land Office;

(b) The State Land Office requires the signatures of all the record title owners in the unit before it can approve the Communitization Agreement;

(c) The heirs of Gordon M, Cone and the shareholders of Dalport Oil Corporation have refused to sign the Communitization Agreement. Furthermore, these parties do not own any working interest in the well, therefore BP America Production Company does not seek any cost re-imbusement or penalty assessment from these parties;

(d) All working interest owners have voluntarily committed their interest in the well and the unit; and

(e) BP America production Company only wants to pool these parties so that the compulsory pooling order will substitute as their signatures for the Communitization Agreement with the State Land Office.

(8) 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 its just and fair share of hydrocarbons,

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this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(9) BP America Production Company should be designated the operator of the subject well and of the Unit.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of BP America Production Company all uncommitted mineral interests in the Morrow formation underlying Lots 3, 4, S/2 NW/4, and SW/4 of Section 3, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico, are hereby pooled in the following manner:

Lots 3, 4, S/2 NW/4, and SW/4 (W/2 equivalent) to form a standard 321.09-acre gas spacing and proration unit for all formations and/or pools developed on 3200-acre spacing within that vertical extent, which include but are not necessarily limited to the Vacuum-Morrow Gas Pool.

The above-described unit ("the Unit") shall be dedicated to the Applicant's South Sunflower "3" State Com. Well No. 1 that has been drilled at a standard gas well location in Lot 4 of Section 3.

(2) BP America Production Company is hereby designated the operator of the subject well and of the Unit.

(3) The record title interest owners in the Unit that have not agreed to pool their interests are hereby pooled accordingly.

(4) Upon final plugging and abandonment of the subject well, the pooled Unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

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

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

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(7) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', written over a horizontal line.

MARK E. FESMIRE, PE
Director