

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. 13196
ORDER NO. R-12120

APPLICATION OF NM&O OPERATING COMPANY FOR COMPULSORY
POOLING, RIO ARRIBA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing in Santa Fe, New Mexico at 8:15 a.m on December 18, 2003 before Examiner William V. Jones.

NOW, on this 10th day of March, 2004, 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) Applicant seeks an order pooling all mineral interests in the Mesaverde formation underlying the E/2 of Section 23, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, forming a standard 320-acre gas spacing and proration unit (the "Unit") within the **Blanco-Mesaverde** Prorated Gas Pool (72319).
- (3) Applicant proposes to dedicate the Unit to its North Lindrith 23 Well No. 1, which has been drilled and completed in the SE/4 NE/4 of Section 23 at an orthodox location 1,610 feet from the North line and 890 feet from the East line (Unit H) of Section 23.
- (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) This application was unopposed and was presented by affidavit as provided in Rule 1207.A.(1)(b).

(6) In support of its application, the Applicant presented three exhibits: (i) form C-102 showing the spacing unit being re-spaced from the original NE/4 spacing unit to an E/2 spacing unit in 1989 as the Blanco-Mesaverde Prorated Gas Pool expanded; (ii) correspondence between the Applicant and unsigned working interest owners detailing attempts to obtain agreement; and (iii) an AFE with estimated costs for the Mesaverde completion and pipeline hookup work done in 2001.

(7) No other parties entered an appearance in this case.

(8) Applicant owns an oil and gas working interest within the Unit. Applicant has taken over this well bore and completed the well to a common source of supply within the Unit.

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

(10) Applicant should be designated the operator of the well and the Unit.

(11) Reasonable charges for supervision (combined fixed rates) should be fixed at \$5,537.20 per month while drilling and \$543.20 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COP AS form titled "*Accounting Procedure-Joint Operations.*"

(12) 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, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within the Unit.

IT IS THEREFORE ORDERED THAT :

(1) Pursuant to the application of NM&O Operating Company, "Applicant," all uncommitted mineral interests in the Mesaverde formation underlying the E/2 of Section 23, Township 25 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico, are hereby pooled, forming a standard 320-acre gas spacing and proration unit in the Blanco-Mesaverde Prorated Gas Pool (72319).

The Unit shall be dedicated to the Applicant's North Lindrith 23 Well No. 1, drilled at an orthodox well location 1,610 feet from the North line and 890 feet from the East line (Unit H) of Section 23.

(2) Upon final plugging and abandonment of the North Lindrith 23 Well No. 1, the pooled unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(3) Applicant is hereby designated the operator of the well and of the Unit.

(4) 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.)

(5) Within 90 days of 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 actual costs of completing and equipping the well ("well costs").

(6) Within 30 days from the date the schedule of actual well costs is furnished, any pooled working interest owner shall have the right to pay its share of actual 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 actual 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 actual well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(7) 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.

(8) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of actual well costs as provided above shall receive from the operator its share of the amount that actual well costs it has paid exceed its share of reasonable well costs.

(9) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of actual well costs within 30 days from the date the schedule of actual well costs is furnished; and
- (b) as a charge for the risk involved in completing the well, 200% of the above costs.

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

(11) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$5,537.20 per month while drilling and \$543.20 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 in excess of what are reasonable, attributable to pooled working interest owners.

(12) Except as provided above, all proceeds from production from the completed well that are not disbursed for any reason shall 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 the escrow agent within 30 days from the date of first deposit with the escrow agent.

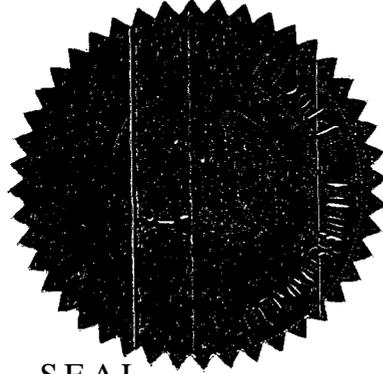
(13) Any **unleased** mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working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

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

(15) 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.

(16) 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

Lori Wrottenbery

LORI WROTENBERY
Director