



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Rio Puerco Resource Area
435 Montano N.E.
Albuquerque, New Mexico 87107

IN REPLY REFER TO:
NMNM 100205
3160 (017)

Gavilan #2
J-26-25N-02W

OCT 14 1997

NM&O Operating Company
Attention: Ms. Deborah Greenwich
6 East Fifth, Suite 200
Tulsa, OK 74103

RECEIVED
OCT 29 1997

OIL CON. DIV.
DIST. 3

Dear Ms. Greenwich:

Enclosed is an approved copy of Communitization Agreement NMNM 100205 involving lands described below in Rio Arriba County, New Mexico, comprising a 320.00 acre spacing unit for the Gavilan #2 well:

<u>TRACT #</u>	<u>ACRES</u>	<u>FEDERAL LEASE or FEE</u>
1	40	FEE
2	40	NMSF 079332
3	80	NMNM 01385
4	120	NMSF 081296
5	40	NMNM 03742

The agreement communitizes all rights as to natural gas and associated liquid hydrocarbons from the Blanco Mesaverde Formation in S/2, Section 26, T. 25 N., R. 2 W., NMPM, and is effective January 1, 1997. You are requested to furnish all interested principals with appropriate evidence of this approval. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

A copy of New Mexico Oil Conservation Division Pooling Order No. R-10881, Case No. 11751, September 24, 1997, is enclosed and part of the agreement. If you have any questions please contact Allen F. Buckingham of my staff at (505) 761-8765 or FAX (505) 761-8911.

Sincerely,

(Original Signed By) JOE INCARDINE

Joe Incardine
Chief, Lands and Minerals

Enclosure

cc:

NM (93200)

NM (95510) w/encl

Cuba/AIRS w/encl

MMS (3133/Diane Baier) w/Exhibit A & B

NMOCD Aztec

CA File: NMNM 100205

**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. 11751
ORDER NO. R-10881**

**APPLICATION OF NM & O OPERATING
COMPANY 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 August 7, 1997 at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of September, 1997, 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, NM & O Operating Company, seeks an order pooling all mineral interests in the Mesaverde formation underlying the S/2 of Section 26, Township 25 North, Range 2 West, NMPM, Undesignated Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico, thereby forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to the applicant's existing Gavilan Well No. 2, located at a standard gas well location 1827 feet from the South line and 1846 feet from the East line (Unit J) of Section 26.

(3) The applicant has the right to re-complete the aforesaid Gavilan Well No. 2, and has re-completed the well in the Undesignated Blanco-Mesaverde Gas Pool at the standard gas well location described above.

(4) According to the evidence and testimony presented, the applicant seeks to pool the interest of (a) Prime Energy Company, which owns a record title interest (but no operating rights) in Federal Lease No. SF-079332, covering the SW/4 SW/4 of Section 26, and (b) Hooper, Kimball & Williams, Inc., which owns a record title interest and overriding royalty interest in Federal Lease No. SF-081296, covering the W/2 SE/4 and SE/4 SE/4 of Section 26.

(5) Neither Prime Energy Company nor Hooper, Kimball & Williams, Inc. are liable for any of the costs of re-completing the subject well, however, federal regulations require record title owners of federal leases to execute communitization agreements.

(6) The evidence presented further indicates that Prime Energy Company is unlocatable, and Hooper, Kimball & Williams, Inc. has failed to respond to repeated requests from the applicant to execute a proposed communitization agreement. As a result, the applicant requests an order pooling these parties so that the Bureau of Land Management will approve a communitization agreement for the subject well.

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

(8) NM & O Operating Company should be designated the operator of the subject well and unit.

(9) 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.

(10) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(11) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

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IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Mesaverde formation underlying the S/2 of Section 26, Township 25 North, Range 2 West, NMPM, Undesignated Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico, are hereby pooled thereby forming a standard 320-acre gas spacing and proration unit for said pool. Said unit shall be dedicated to the existing Gavilan Well No. 2, located at a standard gas well location 1827 feet from the South line and 1846 feet from the East line (Unit J) of Section 26.

(2) NM & O Operating Company 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.

(3) All proceeds from production from the subject well which 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 said escrow agent within 90 days from the date of first deposit with said escrow agent.

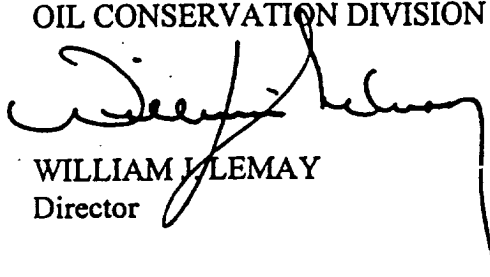
(4) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(5) The operator of the subject well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(6) Jurisdiction of this cause 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director