

**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. 14171
ORDER NO. R-12917-A**

**APPLICATION OF SAMSON RESOURCES 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 August 21, 2008, at Santa Fe, New Mexico, before Examiners David K. Brooks and Terry Warnell.

NOW, on this 12th day of September, 2008, 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 Order No. R-12917, issued in Case No. 14090 on March 3, 2008, the Division pooled all uncommitted interests from the surface to the base of the Morrow formation in the W/2 of Section 33, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico, to form a standard 320-acre gas spacing unit for all formations or pools spaced on 320 acres within that vertical extent, and provided for the dedication of that unit to Samson Resources Company's Osudo 33 State Com. Well No. 1 (API No. 30-025-38486), located 1160 feet from the North line and 660 feet from the West line (Unit D) of Section 33.

(3) Samson Resources Company ("Applicant") now seeks to amend Order No. R-12917 to provide for the dedication of the unit established by that order to an infill well, and to further provide for pooling all uncommitted interests from the surface to the base of the Morrow formation in portions of Section 33, as follows:

- (a) in the SW/4, to form a standard 160-acre gas spacing and proration unit for all formations or pools spaced on 160 acres within this vertical extent, and
- (b) in the SW/4 SW/4, to form a standard 40-acre oil spacing and proration unit for all formations or pools spaced on 40 acres within this vertical extent, including the undesignated Osudo-Wolfcamp Pool (48140).
- (4) The unit established by Order No. R-12917, and the additional units described in Finding Paragraph (3) of this Order ("the Units") are to be dedicated to Applicant's proposed Osudo 33 State Com. Well No. 2 (the "proposed infill well"), to be drilled at a standard location 660 feet from the South line and 660 feet from the West line (Unit M) of Section 33.
- (5) Two or more separately owned tracts are embraced within the Units, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Units that are separately owned.
- (6) Applicant is an owner of an oil and gas working interest within each of the Units. Applicant has the right to drill and proposes to drill the proposed infill well to a common source of supply within the Units at the proposed location.
- (7) There is an interest owner in the Units that has not agreed to pool its interest. However, there are no un-located owners and no evidence of a title dispute.
- (8) Applicant appeared at the hearing through counsel and presented testimony in support of the application. No other party appeared at the hearing or otherwise opposed the application.
- (9) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Units 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 interests, whatever they may be, in the oil and gas within the additional units described in Finding Paragraph (3) of this Order and dedicating both those units and the unit established by Order No. R-12917 to the proposed infill well.
- (10) Applicant should be designated the operator of the proposed infill well and of the Units.
- (11) Any pooled working interest owner who does not pay its share of estimated well costs of the infill well should have withheld from its share of production from the proposed infill well only, its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the proposed infill well.

(12) Reasonable charges for supervision (combined fixed rates) for the proposed infill well should be fixed at \$7,800 per month while drilling and \$1,000 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 Samson Resources Company, all uncommitted interests, whatever they may be, in the oil and gas from the surface to the base of the Morrow formation in portions of Section 33, Township 19 South, Range 35 East, NMPM, in Lea County, New Mexico are hereby pooled as follows:

- (a) the SW/4, to form a standard 160-acre gas spacing and proration unit for all formations or pools spaced on 160 acres within this vertical extent, and
- (b) the SW/4 SW/4, to form a standard 40-acre oil spacing and proration unit for all formations or pools spaced on 40 acres within this vertical extent, including the undesignated Osudo-Wolfcamp Pool (48140).

The unit established by Order No. R-12917 and the units established by this ordering paragraph are collectively herein called "the Units."

(2) The Units shall be dedicated to Applicant's Osudo State Com. Well No. 2 ("the proposed infill well"), to be drilled at a standard location 660 feet from the South line and 660 feet from the West line (Unit M) of Section 33.

(3) The operator of the Units shall commence drilling the proposed well on or before December 31, 2008, and shall thereafter continue drilling the well with due diligence to test the Morrow formation.

(4) In the event the operator does not commence drilling the proposed well on or before December 31, 2008, Ordering Paragraphs (1) and (2) 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 infill well not be drilled to completion, or be abandoned, within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed infill well for good cause shown by satisfactory evidence.

(6) Upon final plugging and abandonment of the well described in Order No. R-12917 and the proposed infill well, this Order shall terminate unless this order has been amended to authorize further operations.

(7) Samson Resources Company (OGRID 20155) is hereby designated the operator of the proposed infill well and of the Units.

(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 Units, including unleased mineral interests, who are not parties to an operating agreement governing the Units.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Units an itemized schedule of estimated costs of drilling, completing and equipping the proposed infill 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 from the proposed infill well 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 of the proposed infill well 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 infill 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 of the proposed infill well 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 the proposed infill well only:

- (a) the proportionate share of reasonable well costs of the proposed infill well attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the proposed infill 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 proposed infill well are hereby fixed at \$7,800 per month while drilling and \$1,000 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 from the proposed infill well the proportionate share of both the supervision charges and the actual expenditures required for operating the proposed infill well, not in excess of what are reasonable, attributable to pooled working interest owners.

(15) 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.

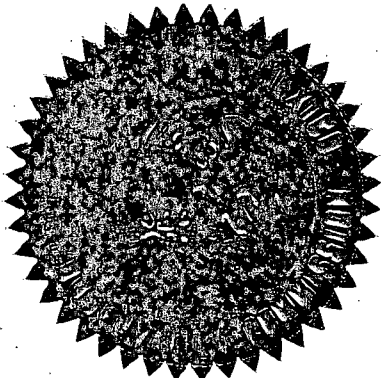
(16) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(17) The operator of the well and Units shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

(18) Order No. R-12917 shall remain in full force and effect, as expressly modified and supplemented by 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director