

N.M.O.C.D.
EXHIBIT NO. 2
COMMISSION CASE NO. 9014
October 23, 1986

CASE _____.

Application under General Rule 1207(a)1.(ii) of XYZ Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the AAA Gas Pool underlying the W/2 of Section 37, Township 27 South, Range 38 East, to be dedicated to a well to be drilled at a standard gas well location thereon. Further, the applicant seeks to be named the operator of the subject well and unit, the assessment of a 100 percent risk penalty for the drilling of the subject well, \$4000.00/Month while drilling and \$400.00/Month while producing as overhead charges, and the consideration of actual operating costs for the well and the allocation of those costs.

IN THE ABSENCE OF OBJECTION, this Case will be approved pursuant to Division General Rule 1207(a)1.(ii).

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
ON ITS OWN MOTION FOR THE ADOPTION
OF A NEW RULE 1207(a)1.(ii).

CASE NO. 9014
Order No. R-8353

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 23, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 20th day of November, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) The Oil Conservation Division (Division) seeks to amend its Rule 1207(a)1 by redesignating the existing rule as paragraph (i) and adding a new paragraph (ii) to read as shown on Exhibit "A" attached to this order.
- (3) Adoption of the proposed amendment and addition would provide for approval of unopposed compulsory pooling applications based on information submitted with the application without the need for oral testimony.
- (4) Adoption of the proposed amendment and addition would reduce unnecessary appearance and oral testimony expenses upon the part of the applicant and hearing expenses for the Division while meeting the requirements of the Oil and Gas Act that compulsory pooling take place only after notice and hearing.
- (5) As any party being pooled may appear and request the presentation of oral testimony, applicants should exercise care to use the proposed alternate procedure only when the application will be unopposed.

(6) The proposed amendment and addition will guarantee to any party being pooled that due process requirements are met and will not result in waste or violation of correlative rights and should be adopted effective January 1, 1987.

IT IS THEREFORE ORDERED THAT:

- (1) Division Rule 1207(a)1 is hereby redesignated Rule 1207(a)1(i).
- (2) A new Division Rule 1207(a)1(ii) is hereby adopted to read in its entirety as shown on Exhibit "A" attached to this order.
- (3) The effective date of this order and the rule amendment and addition contained herein shall be January 1, 1987.
- (4) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

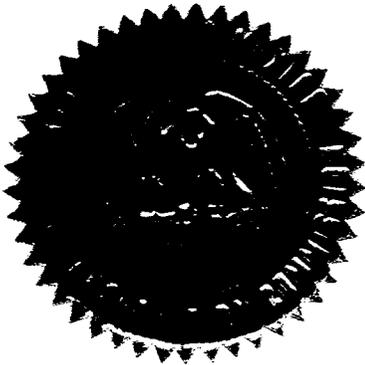
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member

Ed Kelley
ED KELLEY, Member

R. L. Stamets
R. L. STAMETS,
Chairman and Secretary



S E A L

PROPOSED RULE 1207(a)1.(ii)

When an application for compulsory pooling is known to be unopposed, the applicant may file under the following alternate procedure:

Actual notice shall be given as required in (i) above. The application for hearing shall state that no opposition for hearing is expected and shall include the following:

- (1) a map outlining the spacing unit(s) to be pooled showing the nature and percentage of the ownership interests therein and location of the proposed well;
- (2) a listing showing the name and last known address of all parties to be pooled and the nature and percent of their interest;
- (3) the name of the formations and/or pools to be pooled (Note: The Division cannot pool a spacing unit larger in size than provided in the General Rules or appropriate special pool rules);
- (4) a statement as to whether the pooled unit is for gas and/or oil production as appropriate (See note under (3) above);
- (5) written evidence of attempts made to gain voluntary agreement including but not limited to copies of appropriate correspondence;
- (6) appropriate geological map(s) of the formation(s) to be tested and a geological and/or engineering assessment of the risk involved in the drilling of the well and a proposed risk penalty to be assessed against any owner who chooses not to pay his share of estimated well costs;
- (7) proposed overhead charges (combined fixed rates) to be applied during drilling and production operations along with a demonstration that such charges are reasonable;
- (8) the location and proposed depth of the well to be drilled on the pooled unit(s); and,
- (9) a copy of the AFE (Authorization for Expenditure) to be submitted to the interest owners in the well.

All submittals required under this paragraph shall be accompanied by statements (sworn and notarized) by those persons who prepared the same attesting that the information is true and complete to the best of their knowledge and belief.

All unopposed pooling applications will be set for hearing. If the Division review of such application finds them acceptable, the information submitted above will be incorporated as the

record in the case and an order will be written thereon. At the request of any interested party or upon the Division's own initiative, any pooling application submitted under paragraph (ii) of this rule shall be set for full hearing with oral testimony by the applicant.

CASE NO. 9014
ORDER NO. R-8353
EXHIBIT "A"

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 9014
Order No. R-8353-A

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION
FOR THE ADOPTION OF A NEW RULE
1207(a)1.(ii).

NUNC PRO TUNC ORDER

BY THE COMMISSION:

It appearing to the Commission that Order No. R-8353, dated November 20, 1986, does not correctly state the intended order of the Commission,

IT IS THEREFORE ORDERED THAT:

(1) Finding Paragraph No. (6) on page 2 of Order No. R-8353 is hereby amended to read in its entirety as follows:

"(6) The proposed amendment and addition will guarantee to any party being pooled that due process requirements are met and will not result in waste or violation of correlative rights and should be adopted effective March 30, 1987."

(2) Ordering Paragraph No. (3) on page 2 of Order No. R-8353 is hereby amended to read in its entirety as follows:

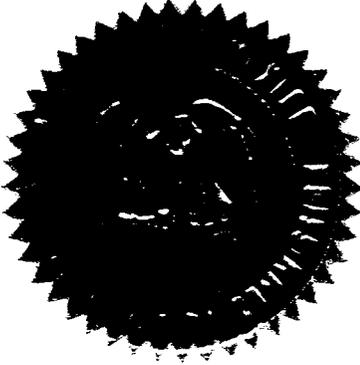
"(3) The effective date of this order and the rule amendment and addition contained herein shall be March 30, 1987."

(3) The corrections set forth in this order be entered nunc pro tunc as of November 20, 1986.

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Case No. 9014
Order No. R-8353-A

DONE at Santa Fe, New Mexico, on this 16th day of
April, 1987.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



S E A L

WILLIAM R. HUMPHRIES, Member

Erling A. Brostuen
ERLING A. BROSTUEN, Member

William J. Lemay
WILLIAM J. LEMAY, Chairman and
Secretary

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