

**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. 14924
ORDER NO. R-13658**

**APPLICATION OF HUNT OIL COMPANY FOR COMPULSORY POOLING,
RIO ARriba COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 1, 2012, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 7th day of December, 2012, 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) Hunt Oil Company ("Applicant") seeks an order pooling all uncommitted interests in the Mancos formation underlying all of Section 34, Township 26 North, Range 2 West, in Rio Arriba County, New Mexico, to form a standard 640-acre oil spacing and proration unit and project area ("the Unit") in the Gavilan-Mancos Oil Pool (Pool Code 27194).

(3) The Unit is to be dedicated to Applicant's Elk Com. 34 Well No. 1H (API No. 30-039-31119) ("the proposed well"), a horizontal well to be drilled from a surface location 661 feet from the South line and 116 feet from the East line (Unit P) of Section 33, Township 26 North, Range 2 West, to a standard terminus, or bottomhole location, 1850 feet from the South line and 790 feet from the East line (Unit I) of Section 34. The completed interval will be located entirely within the applicable setbacks from the outer boundaries of the Unit, so that the location of this well will be standard.

(4) Spacing in the Gavilan-Mancos Oil Pool is governed by the Special Rules and Regulations for the Gavilan-Mancos Oil Pool, adopted by Order No. R-7407, issued on December 20, 1983, which provide for standard 640-acre units, each comprising an entire governmental section, with wells to be located at least 790 feet from the outer boundaries of the unit.

(5) Applicant appeared at the hearing through counsel and presented land evidence to the effect that:

(a) The Unit consists of federal and fee lands, including parts of three separate federal oil and gas leases.

(b) All working interest owners in the Unit have agreed to join in the proposed well and have signed a communitization agreement pooling their interests.

(c) However, two owners of overriding royalties have not signed the communitization agreement, and their interests are not bound by pooling clauses which allow the owner of the working interest to dedicate their interests to a communitized unit.

(d) The United States Bureau of Land Management ("BLM") will not approve the Unit unless these overriding royalty interests are pooled by a communitization agreement or a compulsory pooling order.

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(7) 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.

(8) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

(9) There are interest owners in the Unit that have not agreed to pool their interests. There are no unlocated owners in the Unit, and there is no evidence of a title dispute. Accordingly, no provision to escrow funds is needed.

(10) 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 interests, whatever they

may be, in the oil and gas within the Unit.

(11) Hunt Oil Company (OGRID 10825) should be designated the operator of the proposed well and of the Unit.

(12) Because the only interests subject to this compulsory pooling order are non-expense bearing interests, there is no necessity to include provisions regarding allocation of costs, overhead or risk charges in this Order.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Hunt Oil Company, all uncommitted interests, whatever they may be, in the oil and gas in the Mancos formation underlying all of Section 34, Township 26 North, Range 2 West, in Rio Arriba County, New Mexico, are hereby pooled to form a standard 640-acre oil spacing and proration unit and project area ("the Unit") in the Gavilan-Mancos Oil Pool (Pool Code 27194).

(2) The Unit shall be dedicated to Applicant's Elk Com. 34 Well No. 1H (API No. 30-039-31119) ("the proposed well"), a horizontal well to be drilled from a surface location 661 feet from the South line and 116 feet from the East line (Unit P) of Section 33, Township 26 North, Range 2 West, to a standard terminus, or bottomhole location, 1850 feet from the South line and 790 feet from the East line (Unit I) of Section 34. The completed interval will be located entirely within the applicable setbacks from the outer boundaries of the Unit, so that the location of this well will be standard.

(3) The operator of the Unit shall commence drilling the proposed well on or before December 1, 2013, and shall thereafter continue drilling the well with due diligence to test the Mancos formation.

(4) In the event the operator does not commence drilling the proposed well on or before the date provided in the immediately preceding paragraph Ordering Paragraph (1) 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 well not be completed within 120 days after commencement thereof, then Ordering Paragraph (1) shall be of no further effect, and the Unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence.

(6) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(7) Hunt Oil Company is hereby designated the operator of the well and of the Unit.

(8) Because the only interests subject to this compulsory pooling order are non-expense bearing interests, there is no necessity to include provisions regarding allocation of costs, overhead or risk charges in this Order.

(9) 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.

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

(11) 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 cursive script, appearing to read "Jami Bailey".

JAMI BAILEY
Director