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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. 12028
Order No. R-11042

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

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ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 20, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 26th day of August, 1998, 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 its subject matter.

(2) The applicant, NM & O Operating Company, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 14, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320-acre gas spacing and proration unit for this pool. This unit is to be dedicated to its existing Koon Well No. 1, located at a previously approved unorthodox gas well location (approved by Order No. NSL-3124 dated June 29, 1992) 990 feet from the South and East lines (Unit P) of Section 14.

(3) Division records and evidence and testimony presented by the applicant indicate that:

- a) the Koon Well No. 1 was originally drilled in 1952 by El Paso Natural Gas Company and completed as a producing well in the Gavilan-Pictured Cliffs Gas Pool;
- b) NM & O Operating Company acquired the Koon Well No. 1 from Mesa Grande Resources, Inc. in May, 1988;

- c) NM & O Operating Company recompleted the Koon Well No. 1 to the Basin-Fruitland Coal Gas Pool in January, 1992;
- d) the E/2 of Section 14, being the proration unit for the Koon Well No. 1 in the Basin-Fruitland Coal Gas Pool, is comprised of a single Federal Lease (USA-01355) and a single fee lease;
- e) at the time the well was recompleted to the Basin-Fruitland Coal Gas Pool, the interest within the E/2 of Section 14 was consolidated by means of a communitization agreement;
- f) the applicant has subsequently identified additional royalty and/or overriding royalty interest owners within the E/2 of Section 14 that have not executed the communitization agreement;
- g) the applicant has made a good faith effort to secure the voluntary joinder of all the additional royalty and/or overriding royalty interest owners, but has been unable to do so; and
- h) the production proceeds from the Koon Well No. 1 for each of the outstanding royalty and/or overriding royalty interest owners is currently being held in suspense by the applicant.

(4) The applicant has the right to produce the Koon Well No. 1 in the Basin-Fruitland Coal Gas Pool.

(5) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each royalty and/or overriding royalty interest in the unit the opportunity to recover or receive without unnecessary expense its just and fair share of the production in the Basin-Fruitland Coal Gas Pool, this application should be approved by pooling all royalty and overriding royalty interests, whatever they may be, within the unit.

(6) The applicant should be designated the operator of the well and unit.

(7) All proceeds from production from the well that 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.

(8) If all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order should become null and void and of no effect whatsoever.

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

IT IS THEREFORE ORDERED THAT:

(1) All royalty and overriding royalty interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 14, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled forming a standard 320-acre gas spacing and proration unit for this pool. This unit shall be dedicated to NM & O Operating Company's existing Koon Well No. 1, located at a previously approved unorthodox gas well location 990 feet from the South and East lines (Unit P) of Section 14.

(2) NM & O Operating Company is hereby designated the operator of the well and unit.

(3) Any well costs or charges that 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 and/or overriding royalty interests.

(4) All proceeds from production from the well that are not disbursed for any reason shall immediately 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.

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

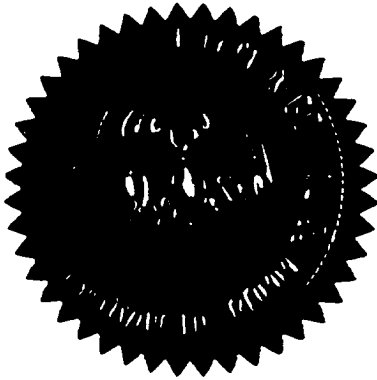
(6) The operator of the well and unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(7) Jurisdiction is hereby 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

Lori Wrotenbery
LORI WROTENBERY
Director



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