

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 THE:

APPLICATION OF RELIANT EXPLORATION AND PRODUCTION, LLC FOR
COMPULSORY POOLING, HARDING COUNTY, NEW MEXICO

CASE NO. 14688
ORDER NO. R-13464

ORDER OF THE DIVISION

BY THE DIVISION:

This matter came on for hearing at 8:15 a.m. on July 21, 2011, at Santa Fe, New Mexico, before Examiner Terry Warnell.

NOW, on this 29th day of September, 2011, 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) Reliant Exploration and Production, LLC ("Reliant" or "Applicant"), seeks an order pooling all uncommitted interests underlying the SW/4 of Section 7, Township 19 North, Range 31 East, NMPM, Harding County, New Mexico, for any carbon dioxide bearing formation or pool spaced on a 160-acre spacing unit ("the proposed Spacing Unit") within that vertical extent, including but not limited to, the Bravo Dome Carbon Dioxide Pool (72892).

(3) The proposed Spacing Unit is to be dedicated to applicant's Libby Minerals LLC 1931 Well No. 7-1-L (API No. 30-021-20516) "the proposed well", to be drilled at a standard well location within the proposed Spacing Unit. The Libby Minerals LLC 1931 Well No. 7-1-L is proposed to a depth of 2600 feet, or a depth sufficient to test the Tubb Formation.

(4) This case was presented with testimony from Reliant's chairman of the board, whose testimony shows the following:

- a. The proposed Spacing Unit consists only of fee lands in the SW/4 of Section 7, Township 19 North, Range 31 East, NMPM, Harding County, New Mexico.
- b. These lands have identical ownership as to depths from the surface to 2600 feet, more or less, and are owned by Reliant and by Oxy USA, Inc (Oxy).
- c. Oxy has to-date chosen not to commit its interests to the proposed Spacing Unit.

(5) Reliant sees potential to recover additional hydrocarbons by drilling in the proposed Spacing Unit, targeting the Bravo Dome Carbon Dioxide Pool, primarily the Tubb formation.

(6) Notice of the compulsory pooling application was provided to those parties not already committed to the drilling of this well.

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

(8) Two or more separately owned tracts are embraced within the Spacing Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Spacing Unit that are separately owned.

(9) Applicant is an owner of a carbon dioxide working interest within the Spacing Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Spacing Unit.

(10) There are interest owner(s) in the Spacing Unit that have not agreed to pool their interests. There are no un-locatable parties and no evidence of a title dispute; therefore, escrow deposits will not be required.

(11) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to each interest owner the opportunity to recover or receive without unnecessary expense its just and fair share of carbon dioxide, this application should be approved by pooling all uncommitted interests, whatever they may be, in the carbon dioxide within the proposed Spacing Unit.

(12) Reliant Exploration and Production LLC (OGRID 251905) should be designated the operator of the proposed well and of the Spacing Unit.

(13) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(14) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6000.00 per month while drilling and \$600.00 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 Reliant Exploration and Production, LLC, all uncommitted interests, whatever they may be, in the carbon dioxide from the surface to the base of the Tubb formation in the SW/4 of Section 7, Township 19 North, Range 31 East, NMPM, in Harding County, New Mexico, are pooled to form a standard 160-acre carbon dioxide spacing unit for any carbon dioxide bearing formations or pools spaced on 160 acres within this vertical extent, which presently include, but are not necessarily limited to, the Bravo Dome Carbon Dioxide Pool (72892).

(2) The proposed Spacing Unit shall be dedicated to Applicant's proposed Libby Minerals LLC 1931 Well No. 7-1-L (API No. 30-021-20516), to be drilled at a standard location 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 7.

(3) Reliant Exploration and Production, LLC (OGRID 251905) is hereby designated the operator of the well and of the Spacing Unit.

(4) The operator of the Spacing Unit shall commence drilling the proposed well on or before September 15, 2012, and shall thereafter continue drilling the well with due diligence to the proposed depth or a depth sufficient to test the Tubb formation.

(5) In the event the operator does not commence drilling the proposed well on or before September 15, 2012, 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.

(6) Should the proposed well not be completed within 120 days after commencement of drilling of that well, then Ordering Paragraph (1) shall be of no further effect, and the spacing unit created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of that well for good cause shown by satisfactory evidence.

(7) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13, Sections 9 through 11 NMAC, the pooled Spacing Unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(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 Spacing Unit, including unleased mineral interests, who are not

parties to an operating agreement governing the Spacing Unit") After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Spacing Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed 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 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 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 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 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:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) As a charge for the risk involved in drilling the 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) are hereby fixed at \$6000.00 per month while drilling and \$600.00 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 the proportionate share of both the supervision

charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

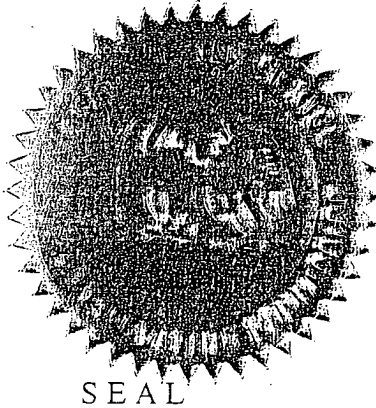
(15) Any unleased mineral interest shall be considered a seven-eighths ($7/8$) working interest and a one-eighth ($1/8$) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working 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 Spacing Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(18) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY
Director