

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. 14926
ORDER NO. R-13668

APPLICATION OF BURLINGTON RESOURCES OIL & GAS COMPANY, LP,
FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 29, 2012 at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 18th 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) Burlington Resources Oil & Gas Company, LP, ("Burlington") an affiliate of ConocoPhillips Company, ("Applicant") seeks an order pooling all uncommitted interests from the top of the Mesaverde formation to the base of the Dakota formation underlying the N/2 of Section 7, Township 29 North, Range 10 West, NMPM, in San Juan County, New Mexico, to form a standard 308.28-acre, more or less, gas spacing and proration unit in the Basin-Mancos Pool (97232), the Basin-Dakota Gas Pool (71599) and the Blanco-Mesaverde Gas Pool (72319).

(3) The above-described unit is to be dedicated to (a) Applicant's proposed Houck Com Well No. 2 (API No. 30-045-35417) to be drilled and completed at a standard surface well location 1570 feet from the North line and 1114 feet from the West line and a standard bottomhole location 1970 feet from the North line and 1115 feet from the West line (Unit E) of Section 7 as downhole commingled wellbore for production from the Dakota and Mesaverde formations, and optionally for the Mancos formation and (b) Houck Com Well No. 2N (API No. 30-045-35416) to be drilled and completed at a

standard surface well location 1518 feet from the North line and 1115 feet from the West line and a standard bottomhole location 710 feet from the North line and 710 feet from the West line (Unit D) of Section 7 as downhole commingled wellbore for production from the Dakota and Mesaverde formations and optionally for the Mancos formation.

(4) This case was presented by Affidavit in accordance with Division Rule 19.15.4.12.A(1)(b) NMAC.

(5) No party appeared at the hearing to oppose this application.

(6) At the hearing, the Applicant withdrew its request for a special provision for escheating proceeds to the New Mexico Taxation and Revenue Department (TRD), as the administrator of the New Mexico Unclaimed Property Act.

(7) 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.

(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 wells to a common source of supply within the Unit at the proposed locations.

(9) There are interest owners in the Unit that Applicant has been unable to locate after exercise of reasonable diligence. Accordingly, provisions should be made to escrow funds for the account of such owners.

(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) Applicant should be designated the operator of the proposed wells and of the Unit.

(12) 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 wells

(13) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month, per well, while drilling and \$750 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to Section 111.1 .A.3 of the COPAS form titled "Accounting Procedure -Joint Operations."

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Burlington Resources Oil & Gas Company, LP, all uncommitted interests, whatever they may be, in the oil and gas from the top of the Mesaverde formation to the base of the Dakota formation underlying the N/2 of Section 7, Township 29 North, Range 10 West, NMPM, in San Juan County, New Mexico, to form a standard 308.28-acre, more or less, gas spacing and proration unit including the Basin-Mancos Gas Pool, the Basin-Dakota Gas Pool and the Blanco Mesaverde Gas Pool, are hereby pooled.

(2) The Unit shall be dedicated to (a) Applicant's proposed Houck Com Well No. 2 (**API No. 30-045-35417**) to be drilled and completed at a standard surface well location 1570 feet from the North line and 1114 feet from the West line and a standard bottomhole location 1970 feet from the North line and 1115 feet from the West line of Section 7, as downhole commingled wellbore for production from the Dakota, Mancos and Mesaverde formations, and (b) its Houck Com Well No. 2N (**API No. 30-045-35416**), to be drilled and completed at a standard surface well location 1518 feet from the North line and 1115 feet from the West line, and a standard bottomhole location 710 feet from the North line and 710 feet from the West line of Section 7, as downhole commingled wellbore for production from the Dakota, Mancos and Mesaverde formations.

(3) The operator of the Unit shall commence drilling the proposed wells on or before December 20, 2013, and shall thereafter continue drilling said wells with due diligence to a depth sufficient to test the Dakota formation.

(4) Should the operator not commence drilling the proposed wells on or before December 20, 2013, Ordering Paragraph (I) 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 wells not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraph (1) shall be of no further effect, and the Unit created by this Order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for good cause demonstrated by satisfactory evidence.

(6) Upon final plugging and abandonment of the proposed wells 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) Burlington Resources Oil & Gas Company, LP is hereby designated the operator of the proposed well and its Unit.

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

(9) Well costs and production shall be allocated to pooled working interest owners based on the ratio of the actual acreage included in the tract in which each pooled working interest owner owns an interest to the actual acreage included in the irregular half Section which defines the horizontal boundaries of the Unit.

(10) 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".

(11) 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 wells. 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.

(12) 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.

(13) 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 wells, 200% of the above costs.

(14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$7,500 per month, per well, while drilling and \$750 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to Section 111.1.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.

(16) Except as provided in Paragraphs (13) and (15) above, all proceeds from production from the wells that are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division (Attention: Records Clerk) of the name and address of the escrow agent not later than one year from the date of issuance of this order.

(17) 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.

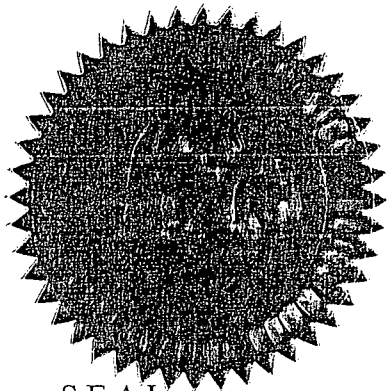
(18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

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

(20) This order is contingent upon approval by the United States Bureau of Land Management of pooling of the federal interests included in the Unit.

(21) 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