

**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. 14955
ORDER NO. R-13686**

**APPLICATION OF LIME ROCK RESOURCES II-A, L.P. FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 21, 2013, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 14th day of March, 2013, 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) Lime Rock Resources II-A, L.P ("Applicant" or "Operator"), seeks to pool all uncommitted interests from the surface to an approximate depth of 5,100 feet to test the Yeso formation, the Northeast Red Lake-Glorieta-Yeso Pool (**96836**), underlying the SE/4 NW/4 (Unit F) of Section 30, Township 17 South, Range 28 East, NMPM, in Eddy County, New Mexico ("the Unit").

(3) The Unit is to be dedicated to Applicant's Horseshoe 30 State Well No. 1 (**API No. 30-015-40230**) which is to be vertically drilled at a standard oil well location 2310 feet from the North line and 1800 feet from the West line (Unit F) of Section 30 to a depth sufficient to test the Yeso formation.

(4) 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.

(5) Applicant is an owner of an oil and gas working interest in the Unit within this State Lease, and has the right to drill the proposed well to a common source of supply within the Unit.

(6) There are interest owners in the proposed Unit that have not agreed to pool their interests. The Applicant located all interest owners, and there are no title disputes. Accordingly, provision for escrow account is unnecessary.

(7) 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.

(8) Lime Rock Resources II-A, L.P. (OGRID 277558) should be designated the operator of the proposed well and of the Unit.

(9) 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.

(10) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,650 per month while drilling and \$765 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 Lime Rock Resources II-A, L.P.; all uncommitted interests from the surface to an approximate depth of 5,100 feet to test the Yeso formation, the Northeast Red Lake-Glorieta-Yeso Pool (**96836**), underlying the SE/4 NW/4 (Unit F) of Section 30, Township 17 South, Range 28 East, NMPM, in Eddy County, New Mexico, are hereby pooled.

(2) The Unit shall be dedicated to Applicant's Horseshoe 30 State Well No. 1 (**API No. 30-015-40230**), which is to be vertically drilled at a standard oil well location 2310 feet from the North line and 1800 feet from the West line (Unit F) of Section 30, to a depth sufficient to test the Yeso formation.

(3) The operator of the Unit shall commence drilling the proposed well on or before March 30, 2014, and shall thereafter continue drilling the well with due diligence to test the Yeso formation.

(4) In the event the operator does not commence drilling the proposed well on or before March 30, 2014, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.

(5) Should the subject well not be drilled and completed within 120 days after commencement thereof, Ordering Paragraph (1) shall be of no further effect, and the Unit created by this Order shall terminate unless the operator appears before the Division Director and obtains an extension of time to complete the well for good cause demonstrated 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) Lime Rock Resources II-A, L.P. (**OGRID 277558**) is hereby designated the operator of the well and of the 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. 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."

(9) 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.

(10) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) The proportionate share of reasonable well costs attributed 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.

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

(12) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$7,650 per month while drilling and \$765 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.

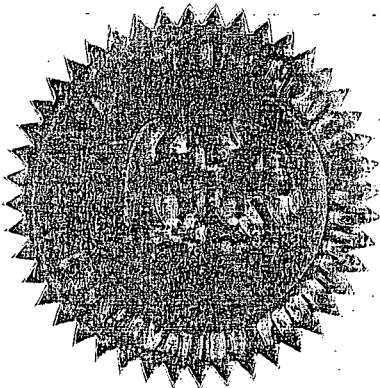
(13) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(14) 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.

(15) 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.

(16) 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 black ink, appearing to read "Jami Bailey".

JAMI BAILEY
Director