

**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. 13602
ORDER NO. R-12471**

**APPLICATION OF BENSON-MONTIN-GREER DRILLING CORPORATION
FOR A NON-STANDARD GAS SPACING UNIT, RIO ARriba COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 15, 2005, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 10th day of January, 2006, 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, Benson-Montin-Greer Drilling Corporation ("BMG"), seeks approval of a 186.76-acre non-standard gas spacing unit for both the Basin-Fruitland Coal (Gas) Pool (71629) and the Pictured Cliffs formation within either the Undesignated South Blanco-Pictured Cliffs Pool (72439), the Undesignated Tapacito-Pictured Cliffs Pool (85920), or the Undesignated Gavilan-Pictured Cliffs Pool (77360) comprising all of Irregular Section 19, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico. BMG further seeks to dedicate this non-standard gas spacing unit to its Page Well No. 1 (API No. 30-039-27810), drilled at a standard gas well location for both gas formations 1,980 feet from the South line and 665 feet from the East line (Lot 3/Unit I) of irregular Section 19.

(3) Irregular Section 19 is 186.76 acres in size, is truncated along the West side, and consists wholly of Lots 1, 2, 3, and 4 (Units A, H, I, and P respectively).

(4) The proposed 186.76-acre non-standard spacing unit consists entirely of irregular Section 19 and would be 117 percent of a standard 160-acre Pictured Cliffs gas spacing unit and 58 percent of a standard 320-acre Basin-Fruitland Coal Gas spacing unit.

(5) Pictured Cliffs gas production from this well is subject to Division Rule 104.C.(3), which requires spacing units "consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section and a legal subdivision of the U.S. Public Land Surveys." The proposed Pictured Cliffs spacing unit has not been assigned to any particular Pool and is within 2 miles of the three Pools mentioned above in Finding (2) and therefore subject to rules which apply to each of these pools. Spacing rules for each of these pools is consistent with the statewide 160-acre spacing requirement.

(6) The proposed Pictured Cliffs gas spacing unit crosses a quarter section line, and therefore Division Rule 104.D.(2)(b) requires this matter to be resolved after a Division hearing.

(7) Spacing unit sizes within the Basin-Fruitland Coal Gas Pool are governed by Rule 4 of the "Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool," as promulgated by Division Order R-8768, as amended. Reference is made to Rule 6 of said rule, which includes provisions for the operator to obtain an exception to the 320-acre spacing unit size requirement.

(8) This case was presented by BMG through counsel.

(9) No other party entered an appearance in this case or otherwise opposed this application.

(10) Notice of this application for non-standard proration unit(s) was provided to all affected parties as required in Division Rule 1210.A(3). In addition a communitization agreement was approved by the U.S. Bureau of Land Management and signed by all owners of mineral interest and is effective from the surface to the base of the Pictured Cliffs formation.

(11) BMG's proposal to include the entire acreage in Section 19 within one gas spacing unit for the Basin-Fruitland Coal gas and for the Pictured Cliffs gas will protect correlative rights by ensuring all tracts share in production from Fruitland Coal or Pictured Cliffs completions within the section.

(12) BMG's application for a non-standard spacing unit for the Fruitland Coal gas and for the Pictured Cliffs gas should be approved.

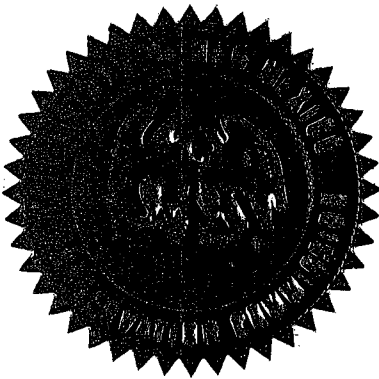
IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Benson-Montin-Greer Drilling Corporation ("BMG"), a 186.76-acre, more or less, non-standard gas spacing unit for both the Basin-Fruitland Coal (Gas) Pool (71629) and the Pictured Cliffs formation within either the Undesignated South Blanco-Pictured Cliffs Pool (72439), the Undesignated Tapacito-Pictured Cliffs Pool (85920), or the Undesignated Gavilan-Pictured Cliffs Pool (77360) comprising all of Irregular Section 19, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico is hereby approved.

(2) This non-standard gas spacing unit within each formation shall be dedicated to the Page Well No. 1 (API No. 30-039-27810), drilled at a standard gas well location for both gas formations 1,980 feet from the South line and 665 feet from the East line (Lot 3/Unit I) of irregular Section 19.

(3) Jurisdiction is hereby retained for the entry of such further orders deemed necessary by the Division.

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 dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director