

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. 14414
ORDER NO. R-13216

APPLICATION OF PRIDE ENERGY COMPANY FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on January 7, 2010 at 8:15 a.m. in Santa Fe, New Mexico, before Examiner Terry Warnell.

NOW, on this 1st day of February, 2010, 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) The applicant, Pride Energy Company ("Applicant" or "Pride"), seeks an order pooling all uncommitted interests from the surface to the base of the Strawn formation underlying the SW/4 of Section 19, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, in the following manner:

- (a) The NW/4 SW/4 of Section 19 to form a standard 40-acre oil spacing and proration unit for all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to the Undesignated Shoe Bar-Upper Pennsylvanian Pool (**56050**);
- (b) The W/2 SW/4 of Section 19 to form a standard 80-acre oil spacing and proration unit for all formations and/or pools developed on 80-acre spacing within that vertical extent, including but not limited to the Undesignated Northeast Shoe Bar-Strawn Pool (**96649**); and

(c) The SW/4 of Section 19 to form a standard 160-acre oil spacing and proration unit for all formations and/or pools developed on 160-acre spacing within that vertical extent, including but not limited to the North Shoe Bar-Wolfcamp Pool (**56295**).

(3) The above-described units (the "Units") are to be dedicated to Applicant's Hondo Fee Well No. 1 (**API No. 30-025-26351**), which is to be re-completed in the Strawn formation at a location 1980 feet from the South line and 660 feet from the West line in (Unit L) of Section 19.

(4) Commission Order No. R-4657 issued in Case No. 5081 on November 16, 1973, promulgated Temporary Special Rules and Regulations for the North Shoe Bar-Wolfcamp Pool including provisions for 160-acre oil spacing and proration units with wells to be located within 150 feet of the center of a governmental quarter-quarter section or lot. Further, Commission Order No. R-4657-A issued in Case No. 5081 (Re-opened) on December 3, 1974, continued these Special Rules in full force and effect until further order of the Commission.

(5) 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.

(6) Applicant is an owner of an oil and gas working interest within the Units. Applicant has the right to re-complete its Hondo Fee Well No. 1 within the Units at the proposed location.

(7) There are interest owners in the proposed Units who have not agreed to pool their interests. However, all interest owners were located and there is no evidence of a title dispute.

(8) No other party appeared at the hearing to oppose the application.

(9) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste, and afford to the owner of each interest in the Units 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 Units.

(10) Pride Energy Company (OGRID 151323) should be designated the operator of the subject well and of the Units.

(11) 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% (pursuant to Rule 35.A) thereof as a reasonable charge for the risk involved in re-completing the well.

(12) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7330.00 per month while drilling and \$767.00 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 Pride Energy Company, all uncommitted interests from the surface to the base of the Strawn formation underlying the SW/4 of Section 19, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled as follows:

- (a) The NW/4 SW/4 of Section 19 to form a standard 40-acre oil spacing and proration unit for all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to the Undesignated Shoe Bar-Upper Pennsylvanian Pool **(56050)**;
- (b) The W/2 SW/4 of Section 19 to form a standard 80-acre oil spacing and proration unit for all formations and/or pools developed on 80-acre spacing within that vertical extent, including but not limited to the Undesignated Northeast Shoe Bar-Strawn Pool **(96649)**; and
- (c) The SW/4 of Section 19 to form a standard 160-acre oil spacing and proration unit for all formations and/or pools developed on 160-acre spacing within that vertical extent, including but not limited to the North Shoe Bar-Wolfcamp Pool **(56295)**.

(2) The above-described units (the "Units") shall be dedicated to applicant's Hondo Fee Well No. 1 (**API No. 30-025-26351**), which is to be re-completed at an unorthodox Wolfcamp location 1980 feet from the South line and 660 feet from the West line in (Unit L) of Section 19.

(3) Pride Energy Company (OGRID 151323) is hereby designated the operator of the subject well and of the Units.

(4) The operator of the Units shall commence re-completing the proposed well on or before January 31, 2011, and shall thereafter continue re-completing the well with due diligence to test the Strawn formation.

(5) In the event the operator does not commence re-completing the proposed well on or before January 31, 2011, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.

(6) Should the proposed well not be re-completed within 120 days after commencement thereof, Ordering Paragraph (1) shall be of no further effect, and the Units created by the Order shall terminate unless the operator, prior to the expiration of such 120-day period, files an application with the Division for extension of the time for re-completion of the proposed well. Such application shall include an affidavit or affidavits setting forth good cause for an extension, supported by satisfactory evidence. The Division Director may grant such application without hearing.

(7) Upon final plugging and abandonment of the subject well and all other wells drilled on the Units pursuant to Division Rule 13.9, the pooled Units 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 Units, including unleased mineral interests, who are not parties to an operating agreement governing the Units.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Units an itemized schedule of estimated costs of drilling, completing and equipping the subject 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 re-completing 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 \$7330.00 per month while drilling and \$767.00 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.

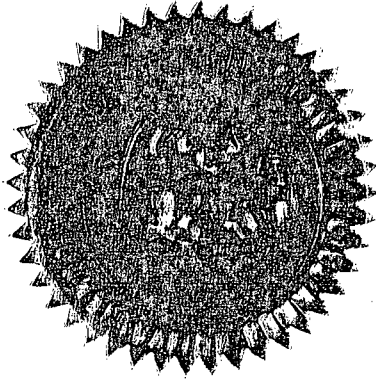
(16) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

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

(18) The operator shall apply for and obtain a non-standard location approval from the Division before producing the well.

(19) 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 "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director