

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF RSC RESOURCES LIMITED
PARTNERSHIP FOR A NON-STANDARD OIL
SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

2010 JUN 23 A 11: 05

Case No. 14514

APPLICATION

RSC Resources Limited Partnership applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the $W\frac{1}{2}W\frac{1}{2}$ of Section 10, Township 26 South, Range 33 East, N.M.P.M., and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, (ii) pooling all mineral interests from the surface to the top of the Bone Spring formation underlying the $NW\frac{1}{4}NW\frac{1}{4}$ of Section 10, Township 26 South, Range 33 East, N.M.P.M., and (iii) pooling all mineral interests in the Wolfcamp formation underlying all of Section 10, Township 26 South, Range 33 East, N.M.P.M., and in support thereof, states:

1. Applicant is an interest owner in Section 10, and has the right to drill a well thereon.
2. Applicant proposes to drill its Red Bull "10" Fed. Com. Well No. 1, at a location in the $NW\frac{1}{4}NW\frac{1}{4}$ of Section 10, to a depth sufficient to test the Wolfcamp formation, and seeks to dedicate the following acreage to the well:
 - (a) The surface to the top of the Bone Spring formation underlying the $NW\frac{1}{4}NW\frac{1}{4}$ of Section 10, to form a standard 40 acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent;

(b) The Bone Spring formation underlying the W½W½ of Section 10 to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent; and

(c) The Wolfcamp formation underlying all of Section 10 to form a standard 640 acre gas spacing and proration unit for any formations and/or pools developed on 640 acre spacing within that vertical extent, including the Red Hills-Wolfcamp Gas Pool.

3. Applicant intends to drill the well vertically to test the Wolfcamp formation, and depending on its results, may subsequently drill the well horizontally, with a surface location in the NW¼NW¼ and a terminus in the SW¼SW¼, of Section 10.

4. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in Section 10 for the purposes set forth herein.

5. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in Section 10, pursuant to NMSA 1978 §§70-2-17, 18.


6. The approval of the non-standard unit, and the pooling of all mineral interests underlying Section 10, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the W½W½ of Section 10;

- B. Pooling all mineral interests in Section 10 from the surface to the base of the Wolfcamp formation as described herein;
- C. Designating Endeavor Energy Resources, L.P. as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



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Partnership

PROPOSED ADVERTISEMENT

Case No. 14514:

Application of RSC Resources Limited Partnership for approval of a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the W/2W/2 of Section 10, Township 26 South, Range 33 East, NMPM. Applicant further seeks the pooling of all mineral interests from the surface to the base of the Wolfcamp formation underlying the following described acreage in Section 10, Township 26 South, Range 33 East, NMPM, and in the following manner: (i) from the surface to the top of the Bone Spring formation underlying the NW/4NW/4 of Section 10, to form a standard 40 acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent; (ii) the Bone Spring formation underlying the W/2W/2 of Section 10 to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent; and (iii) the Wolfcamp formation underlying all of Section 10, to form a standard 640 acre gas spacing and proration unit for any formations and/or pools developed on 640 acre spacing within that vertical extent, including the Red Hills-Wolfcamp Gas Pool. The units are to be dedicated to the Red Bull "10" Fed. Com. Well No. 1, to be drilled in the NW/4NW/4 of Section 10 to test the Wolfcamp formation, which may subsequently be drilled horizontally in the Bone Spring formation with a surface location in the NW/4NW/4, and a terminus in the SW/4SW/4, of Section 10. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Endeavor Energy Resources, L.P. as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 20-1/2 miles west of Bennett, New Mexico.