

**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. 10468
Order No. R-9674**

**APPLICATION OF ULTRAMAR OIL AND
GAS LIMITED FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 30, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 14th day of May, 1992, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Ultramar Oil and Gas Limited, seeks an order pooling certain record title owners of a state oil and gas lease from the surface to the base of the Morrow formation underlying the E/2 of Section 16, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the South Osudo-Morrow Gas Pool. Said unit is to be dedicated to the applicant's existing P. Q. Osudo State Com Well No. 1, which was drilled in 1989 at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 16.

(3) The applicant, having a right to do so, has drilled the aforesaid P. Q. Osudo State Com Well No. 1, and has encountered commercial gas production from the South Osudo-Morrow Gas Pool.

(4) The E/2 of Section 16 consists of two separate state leases, being the State of New Mexico Lease No. E-1732 which covers the NE/4 and the State of New Mexico Lease No. VB-0177 which covers the SE/4.

(5) All of the working interest owners in the E/2 of Section 16 have voluntarily committed their interests to the subject well and proration unit; however, there are certain record title owners of the State of New Mexico Lease No. E-1732 who have not agreed to pool their interests.

(6) The applicant has made a good faith effort to secure voluntary agreement with the record title owners, but has been unable to do so.

(7) The consent of or the compulsory pooling of said record title owners is required by the Commissioner of Public Lands for the State of New Mexico before communitization of the two subject leases is approved.

(8) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in the South Osudo-Morrow Gas Pool, the subject application should be approved by pooling all interests, whatever they may be, within said unit.

(9) The applicant should be designated the operator of the subject well and unit.

(10) The applicant seeks neither a charge for the risk involved in the drilling of the subject well nor overhead charges for supervision while drilling or producing the subject well.

(11) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Morrow formation underlying the E/2 of Section 16, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico, are hereby pooled forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the South Osudo-Morrow Gas Pool. Said unit shall be dedicated to the P. Q. Osudo State Com Well No. 1 located at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 16.

(2) Ultramar Oil and Gas Limited is hereby designated the operator of the subject well and unit.

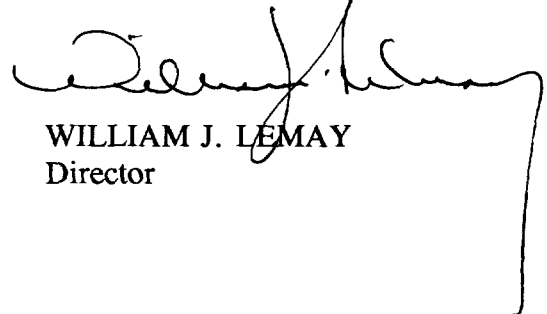
(3) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

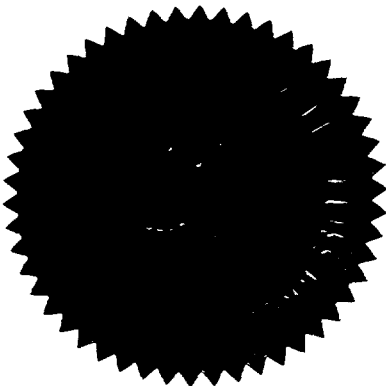
(4) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(5) Jurisdiction is hereby 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director



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