

**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:**

**APPLICATION OF ANSCHUTZ OIL COMPANY, LLC FOR A NON-  
STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY  
POOLING, RIO ARriba COUNTY, NEW MEXICO**

**CASE NO. 15268  
ORDER NO. R-13945-A**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on March 5, 2015, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 23<sup>rd</sup> day of March, 2015, 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) Anschutz Oil Company, LLC ("Applicant"), requests a non-standard oil spacing and proration unit (the "Unit") for oil production from the Mancos formation, Gavilan-Mancos Pool (Pool Code 27194) consisting of the W/2 of Section 14 and the E/2 of Section 15, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

(3) In addition, Applicant requests to compulsory pool the uncommitted royalty owners within this Unit.

(4) The Unit will be dedicated to the Regina Com 25 2 14 15 Well No. 1H (the "subject well"; API No. 30-039-31203) which has been horizontally drilled from (i) a surface location in Unit letter B of Section 14, 1070 feet from the North line and 2383 feet from the East line, (ii) landing in Unit letter C of Section 14, 893 feet from the North

line and 2291 feet from the West line, and (iii) terminating in Unit letter B of Section 15, 860 feet from the North line and 1821 feet from the East line.

(5) The Mancos formation within Sections No. 14 and 15 is contained within the Gavilan-Mancos Pool (Pool Code 27194). This pool has special pool rules promulgated by Order No. R-7407 (as amended). Among other things, such rules allow for 640-acre oil spacing and proration units and well locations no closer than 790 feet from the outer boundary of the spacing unit.

(6) The landing point of the subject well will be non-standard if perforated at that point. Applicant requests approval of the non-standard location of the landing point of this subject well. This non-standard location was previously approved in Division Order No. R-13945 issued in January of 2015.

(7) All other provisions of Division Order No. R-13945 should no longer be in force or effect.

(8) Applicant appeared at the hearing and presented testimony from experts in land and engineering which indicates the following:

- (a) The subject well in this case was also the subject of Case Nos. 15234 and 15246 and was the "proposed well" within compulsory pooling Order No. R-13945 issued in January of 2015. That order compulsory-pooled all uncommitted interests in an existing 960-acre non-standard spacing unit approved by Administrative Order NSP-1974 consisting of the W/2 of Section 14 and all of Section 15. The well was proposed to be drilled one and one half miles horizontally, beginning in Unit letter B of Section 14 and terminating in Unit letter D of Section 15.
- (b) Since that time, the subject well has been drilled, logged, and cased, but not perforated or completed. The well was spud in Unit Letter C of Section 14, but was terminated in Unit letter B of Section 15 due to drilling and formation difficulties. Applicant now is proposing to dissolve the 960-acre Unit and form another non-standard oil spacing and proration unit of 640 acres consisting of the W/2 of Section 14 and the E/2 of Section 15.
- (c) At this stage of the drilling and completion process, Applicant does not know whether standup or laydown horizontally drilled wells are optimum in this area.
- (d) The W/2 of Section 14 and the E/2 of Section 15 are both expected to contribute to the production from this well.
- (e) Applicant requested the hearing record in Case No. 15234 and Case No. 15246 be incorporated into this case and requests a new Division Order

replacing Order No. R-13945 in all aspects except permission for the non-standard well location.

- (f) From testimony in Case No. 15234, Anschutz Oil Company, LLC has obtained interest in this spacing unit and this well through agreement with Hunt Oil Company and asked that Anschutz Exploration Corporation be named as operator of the Unit and of this well. Anschutz Exploration Corporation has a federal bond and has obtained an OGRID No. 146909 allowing it to operate within New Mexico.
- (g) The Unit consists of only federal and Fee lands. There is no unleased acreage and all working interests have decided to participate in this well or have entered into agreements with Applicant to farmout or assign their interests in the well and Unit; however, some fee leases without pooling clauses have not agreed to sign or modify the lease to add this pooling clause. And some lessors on leases without pooling clauses could not be located. All federal lands have joined in the subject well.
- (h) Applicant has conducted a diligent search for all interests and has made a good faith effort to obtain joinder in this well. Applicant has provided notice of this case and of this hearing to all affected parties both for purposes of the non-standard spacing unit and for compulsory pooling.
- (9) No other party appeared at either hearing, or otherwise opposed the granting of this application.
- (10) The non-standard Unit created in Administrative Order NSP-1974 should be rescinded and Applicant's request to form the non-standard oil spacing and proration unit as described above should be approved.
- (11) Applicant's request for a non-standard location for the landing point of the subject well as previously permitted under Division Order No. R-13945 should be approved.
- (12) 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.
- (13) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled the subject well to a common source of supply within the Unit at the above detailed location.
- (14) There are royalty interest owners in the Unit that have not agreed to pool their interests as well as royalty interest owners that have not been located. All lands within this Unit are under lease and all working interests have agreed to participate in this well.

(15) This application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(16) Anschutz Exploration Corporation should be designated the operator of the proposed well and of the Unit.

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Anschutz Oil Company, LLC ("Applicant"), a 640-acre non-standard oil spacing and proration unit (the "Unit") for oil production from the Mancos formation, Gavilan-Mancos Pool (Pool Code 27194) consisting of the W/2 of Section 14 and the E/2 of Section 15, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, is hereby approved.

(2) Administrative Order NSP-1974 is rescinded and the non-standard Unit created by said order is dissolved.

(3) All royalty interests within this Unit which have not either signed the Unit agreement or agreed to a lease with a pooling clause are hereby pooled.

(4) The Unit shall be dedicated to Applicant's **Regina Com 25 2 14 15 Well No. 1H** (API No. 30-039-31203), located at (i) a surface location in Unit letter B of Section 14, 1070 feet from the North line and 2383 feet from the East line, (ii) landing in Unit letter C of Section 14, 893 feet from the North line and 2291 feet from the West line, and (iii) terminating in Unit letter B of Section 15, 860 feet from the North line and 1821 feet from the East line.

(5) The non-standard location of the landing point within this well, previously approved by Division Order No. R-13945, remains as an approved location for future perforating and completion.

(6) Division Order No. R-13945 is no longer in force or effect and is hereby replaced by this order.

(7) Upon final plugging and abandonment of this well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit shall terminate, unless this Order has been amended to authorize further operations.

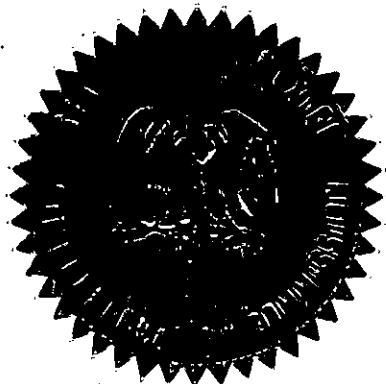
(8) Anschutz Exploration Corporation (OGRID No. 146909) is hereby designated the operator of the well and the Unit.

(9) 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.

(10) 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.

(11) 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 cursive script, reading "David R. Catanach".

DAVID R. CATANACH  
Director