

**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. 15658 (Re-opened)
ORDER NO. R-14458**

**APPLICATION OF NM&O OPERATING COMPANY TO RE-OPEN CASE
NO. 15658 FOR COMPULSORY POOLING, RIO ARriba COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This matter came on for hearing at 8:15 a.m. on April 27, 2017, at Santa Fe, New Mexico, before Oil Conservation Division Examiner William V. Jones, and again on June 22, 2017 and July 6, 2017, before Examiner Michael A. McMillan.

NOW, on this 2nd day of October, 2017, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) NM&O Operating Company ("Applicant") seeks the pooling of all uncommitted interests in the Mesaverde formation [Blanco; Mesaverde Gas Pool (Pool Code 72319)] underlying the S/2 of Section 35, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, to form a standard 320-acre gas spacing and proration unit (the "Unit").

(3) The Unit is dedicated to Applicant's Hawk Well No. 3 ("the subject well" - API No. 30-039-23473), a vertical well drilled at an orthodox location 1835 feet from the South line and 1690 feet from the West line (Unit K) of Section 35.

(4) The Blanco; Mesaverde Gas Pool was created by Commission Order No. 799, in Case No. 163, dated February 25, 1949, and Special Rules promulgated by Order No. R-10987-A (1), dated December 2, 2002, which provide for standard 320-acre units, comprising two contiguous quarter sections within a single

governmental section, and for well locations at least 660 feet from any unit boundary.

(5) Applicant appeared at the hearing by counsel and presented evidence to the effect that:

(a) The Hawk Well No. 3 was drilled in 1984 and completed in other formations before being re-completed in the Mesaverde formation in May 2003.

(b) The Unit is comprised of federal and fee land, and the Bureau of Land Management ("BLM") requires Applicant to submit a communitization agreement to it for approval.

(c) The interest owners being pooled are record title and/or working interest owners in the Unit. Applicant has made a good faith effort to locate the record title and/or working owners, and to obtain their voluntary joinder in the communitization agreement.

(d) Notice of this compulsory pooling application was provided to all non-signing interest owners. The parties Applicant seeks to pool are: Arriba Company, Ltd.; Arriba Company, L.L.C.; Mabel Reed, Trustee of the Warren Clark Trust; Carolyn Clark Oatman; Mabel Reed and W.W. Oatman, Trustees of the Warren Clark Oatman Testamentary Trust; Hooper, Kimball & Williams, Inc.; Van K. Bullock; and Freeport-McMoRan Inc.

(e) Since this proceeding was instated solely for the purpose of communitization, no risk charge, overhead charges, or recovery of drilling or operating costs, is requested of any party regardless of the nature of the interest such party owns.

(6) After the first hearing on April 27, 2017, the case was re-opened because the evidence showed that the Application and the original notices incorrectly described the well location. The case was re-opened, and notice of the second hearing, describing the correct well location, was provided to all owners sought to be pooled.

(7) No other party appeared at either hearing, or otherwise opposed the granting of this application.

The Division concludes as follows:

(8) 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.

(9) Applicant had the right to drill, and has drilled and completed, the Hawk Well No. 3 to a common source of supply within the Unit at the above-described location.

(10) There are interest owners in the Unit who have not agreed to pool or communitize their interests.

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

(12) NM&O Operating Company (OGRID No. 15398) should be designated the operator of the well and of the Unit.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of NM&O Operating Company, all uncommitted interests, whatever they may be, in the oil and gas in the Mesaverde formation [Blanco-Mesaverde Gas Pool (Pool Code 72319)] underlying a standard 320-acre gas spacing and proration unit (the "Unit") comprised of the S/2 of Section 35, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled.

(2) The Unit shall be dedicated to Applicant's Hawk Well No. 3 ("the subject well" - API No. 30-039-23473), a vertical well drilled at an orthodox location 1835 feet from the South line and 1690 feet from the West line of Section 35.

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

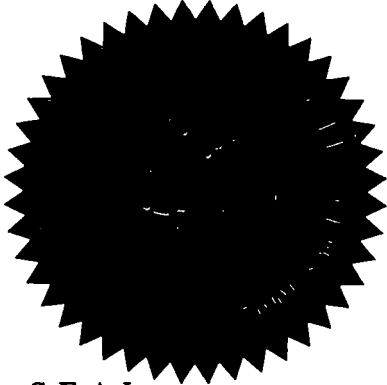
(4) NM&O Operating Company (OGRID No. 15398) is hereby designated the operator of the subject well and of the Unit.

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

(6) Applicant shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this order.

(7) Jurisdiction over 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 designated above.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director