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BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

IN THE MATTER OF THE PROMULGATION AND  
ESTABLISHMENT OF FIELD RULES TO GOVERN  
OPERATIONS IN THE IGNACIO-BLANCO FIELD,  
LA PLATA COUNTY, COLORADO

) CAUSE NO. 112  
)  
) ORDER NO. 112-118  
)

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission on June 19, 1995 at 8:30 a.m., in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver, Colorado, after giving Notice of Hearing as required by law, on the verified application of Maralex Resources, Inc., for an order pooling all interests in the drilling and spacing unit consisting of the E½ Section 10, Township 33 North, Range 7 West, N.M.P.M., for the development and operation of the Fruitland Coal Formation.

FINDINGS

The Commission finds as follows:

1. That Maralex Resources, Inc., as applicant herein, is an interested party in the subject matter of the above-referenced hearing.
2. That due notice of the time, place and purpose of the hearing has been given in all respects as required by law.
3. That the Commission has jurisdiction over the subject matter embraced in said Notice, and of the parties interested therein, and jurisdiction to promulgate the hereinafter prescribed order.
4. The E½ of Section 10, Township 33 North, Range 7 West, N.M.P.M., has been established as a drilling and spacing unit for the Fruitland Coal Formation by the Commission in Order No. 112-60 issued June 17, 1988.
5. Efforts have been made to obtain the voluntary pooling of all interests. A.F.E.'s have been furnished to non-consenting interests on or around March 27, 1995 and consent has not been given.
6. Based on the facts stated in the verified application, and having been heard by the Hearing Officer on June 14, 1995, and recommended for approval, the Commission should enter an order pooling all interests in the 320-acre drilling and spacing unit herein described in order to insure proper and efficient development of the gas and associated hydrocarbons from the Fruitland Coal Formation underlying said unit.
7. That an order of the Commission pooling all interests in said drilling unit is necessary in order to afford each owner of interest in each said drilling unit the opportunity to recover and receive their just and equitable share of the oil and/or gas from the common source of supply underlying said drilling unit.
8. That production obtained from said drilling unit should be allocated to each tract therein on the basis of the proportion that the number of acres in each tract bears to the total number of acres with said drilling unit.
9. That Maralex Resources, Inc., should be designated as the operator for the Covey 33-7-10 No. 1 Well to be drilled in the SE¼ of Section 10, Township 33 North, Range 7 West, N.M.P.M. for production from the Fruitland Coal Formation.

ORDER

NOW, THEREFORE IT IS ORDERED, that, 1. pursuant to the provisions of C.R.S. 34-60-116, as amended, of the Oil and Gas Conservation Act of the State of Colorado, all interests in the drilling and spacing unit consisting of the E½ of Section 10, Township 33 North, Range 7 West, N.M.P.M., La Plata County, Colorado, are hereby pooled for the development of gas and associated hydrocarbons from the Fruitland Coal Formation and that Maralex Resources, Inc., shall be designated as the operator for the Covey 33-7-10 No. 1 Well to be drilled in the SE¼ of Section 10, Township 33 North, Range 7 West, N.M.P.M. for production from the Fruitland Coal Formation.

2. The production obtained from said drilling unit shall be allocated to each owner in the unit on the basis of the proportion that the number of acres in such tract bears to the total number of mineral acres within said drilling unit; each owner of an interest in said drilling unit shall be entitled to receive his share of the production of the well located on said drilling unit applicable to his interest in said drilling unit.

3. The owner of the unleased tract should be afforded the opportunity to elect whether to participate in the drilling and operation of said well, and pay a proportionate share of the actual costs thereof, which proportionate share shall be determined by dividing the number of acres in each unleased tract to the total number of acres within said drilling unit.

4. Within thirty (30) days from the date of receipt of said A.F.E. by the owner of said tract, such owner shall indicate whether he consents to the cost of the drilling of the well and agrees to participate in such costs. Such election shall be made in writing either by executing the AFE or similar document. In the event a written election to participate is not made by said owner within such time period, said owner shall be deemed to have elected not to participate and shall therefore be deemed to be non-consenting as to the well and be subject to the penalties as provided for by 34-60-116 (7).

5. Any non-consenting unleased mineral owner within the spacing unit shall be treated as the owner of the landowner's royalty to the extent of 12.5% of his or her record title interest, whatever that interest may be, until such time as the consenting owner recovers, only out of the non-consenting owner's proportionate 87.5% share of production, the costs specified in C.R.S. 34-60-116 (7)(b), as amended. After recovery of such costs, the non-consenting mineral owner shall then own his proportionate 8/8ths share of the well, surface facilities and production, and then be liable for his proportionate share of further costs incurred in connection with the well as if he had originally agreed to the drilling.

6. The operator of any well drilled on the above described unit shall furnish all non-consenting owners with a monthly statement of all costs incurred, together with the quantity of oil and gas produced, and the amount of proceeds realized from the sale of production during the preceding month.

IT IS FURTHER ORDERED, that the provisions contained in the above order shall become effective forthwith.

IT IS FURTHER ORDERED, that the Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.

ENTERED this -13<sup>th</sup> day of July, 1995, as of June 19, 1995.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By Patricia C. Beaver  
Patricia C. Beaver, Secretary

Dated at Suite 801  
1120 Lincoln Street  
Denver, Colorado 80203  
July 12, 1995