

Sec : 34 Twp : 21S Rng : 34E Section Type : NORMAL

<p>D</p> <p>40.00</p> <p>CS</p> <p>V05683 0000</p> <p>GREAT WESTERN DRI</p> <p>R 01/01/05</p>	<p>C</p> <p>40.00</p> <p>CS</p> <p>V05683 0000</p> <p>GREAT WESTERN DRI</p> <p>R 01/01/05</p>	<p>B</p> <p>40.00</p> <p>CS</p> <p>V05683 0000</p> <p>GREAT WESTERN DRI</p> <p>R 01/01/05</p>	<p>A</p> <p>40.00</p> <p>CS</p> <p>V05683 0000</p> <p>GREAT WESTERN DRI</p> <p>R 01/01/05</p>
<p>E</p> <p>40.00</p> <p>CS</p> <p>V05683 0000</p> <p>GREAT WESTERN DRI</p> <p>R 01/01/05</p>	<p>F</p> <p>40.00</p> <p>CS</p> <p>V05683 0000</p> <p>GREAT WESTERN DRI</p> <p>R 01/01/05</p>	<p>G</p> <p>40.00</p> <p>CS</p> <p>V05683 0000</p> <p>GREAT WESTERN DRI</p> <p>R 01/01/05</p>	<p>H</p> <p>40.00</p> <p>CS</p> <p>V05683 0000</p> <p>GREAT WESTERN DRI</p> <p>R 01/01/05</p>
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<p>M</p> <p>40.00</p> <p>CS</p> <p>E09659 0000</p> <p>CHEVRON U S A INC</p> <p>R 12/20/65</p>	<p>N</p> <p>40.00</p> <p>CS</p> <p>E09659 0000</p> <p>CHEVRON U S A INC</p> <p>R 12/20/65</p>	<p>O</p> <p>40.00</p> <p>CS</p> <p>E09659 0000</p> <p>CHEVRON U S A INC</p> <p>R 12/20/65</p>	<p>P</p> <p>40.00</p> <p>CS</p> <p>E09659 0000</p> <p>CHEVRON U S A INC</p> <p>R 12/20/65</p>

**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. 12622
ORDER NO. R-11768**

**APPLICATION OF NEARBURG EXPLORATION COMPANY, L.L.C. FOR TWO
NON-STANDARD GAS SPACING UNITS, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 28 and July 26, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 22nd day of May, 2002, 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 its subject matter.

(2) The applicant, Nearburg Exploration Company, L.L.C. ("Nearburg"), seeks exception to the spacing provisions of Division Rule 104.C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, in order to create two non-standard 160-acre spacing units within the East Grama Ridge-Morrow Gas Pool comprising: (i) the NE/4 of Section 34, Township 21 South, Range 34 East, NMPM, Eddy County, New Mexico, to be dedicated to the Nearburg Producing Company's existing Grama Ridge East "34" State Well No. 1 (API No. 30-025-34948), located at a standard gas well location 1548 feet from the North line and 990 feet from the East line (Unit H) of Section 34; and (ii) the SE/4 of Section 34 to be dedicated to the EOG Resources, Inc.-operated Llano "34" State Well No. 1 (API No. 30-025-26318), located at a standard gas well location 1650 feet from the South line and 660 feet from the East line (Unit I) of Section 34.

(3) The E/2 of Section 34 is included in the East Grama Ridge-Morrow Gas Pool and the W/2 of the section is in the Grama Ridge-Morrow Gas Pool. Both pools are subject to Division Rule 104.C (2), as revised, which provides for 320-acre spacing units comprising any two contiguous quarter sections of a single governmental section and

provides for infill development (a total of two wells per unit); provided however, there can only be one well in each quarter section.

(4) All of Section 34 is within the Grama Ridge Morrow Gas Storage Unit Area, which was unitized for the purpose of gas injection, storage, and withdrawal within a portion of the Morrow formation, as provided for by Division Order No. R-11611, issued in consolidated cases No. 12441 and 12588 on July 3, 2001.

(5) Redrock Operating Ltd., Co. of Coppell, Texas ("Redrock"), an overriding royalty interest owner in the SE/4 of Section 34, appeared at the hearing and presented evidence in opposition to the application. Raptor Natural Pipeline, LLC, operator of the Grama Ridge Morrow Gas Storage Unit Area and a unit well in the W/2 of Section 34, and Wayne Newkumet, James E. Brown, Brent D. Hilliard, Wendel Creech, and David F. Alderks, all of Midland, Texas and all overriding royalty interest owners in the N/2 of Section 34, appeared through legal counsel but did not oppose Nearburg's request.

(6) On October 10, 1979, the above-described EOG Resources, Inc.-operated Llano "34" State Well No. 1 in the SE/4 of Section 34 (originally drilled by Minerals, Inc.) was completed in the East Grama Ridge-Morrow Gas Pool. A standard 320-acre stand-up gas spacing unit comprising the E/2 of Section 34 was dedicated to the well under a communitization agreement approved October 19, 1979 and made effective May 1, 1979 by the New Mexico State Land Office ("NMSLO"). This well last produced in 1991 and the communitization agreement was terminated by the NMSLO effective March 31, 1991. This 320-acre unit ceased to exist when the well stopped producing and the communitization agreement terminated.

(7) Evidence indicates that Redrock acquired the working interest in the SE/4 of Section 34 by assignment on March 1, 1998. On May 27, 1999 Redrock assigned its interest to Roco Resources Company, Inc. of Midland, Texas, reserving however a 10% overriding royalty interest.

(8) The evidence presented by Nearburg and the records of the Division establish that:

- (a) State of New Mexico Oil and Gas Lease No. K-03592 covering the N/2 of Section 34 was cancelled by the NMSLO in January, 1999;
- (b) a new oil and gas lease covering the N/2 of Section 34 was offered by the NMSLO at the December, 1999 lease sale; the NMSLO request for bids contained no stipulations or reservations concerning the existence of the Grama Ridge

Morrow Gas Storage Unit;

- (c) Great Western Drilling Company of Midland, Texas was the successful bidder and received a new oil and gas lease (Lease No. V-05683) covering the N/2 of Section 34 that became effective January 1, 2000;
- (d) Nearburg later acquired 75% of the interest of Great Western Drilling Company in the N/2 of section 34. On February 28, 2000 the Division's district office in Hobbs approved Nearburg Producing Company's "*Application for Permit to Drill ("APD")*" (Division Form C-101 with Form C-102 attached) for its above-described Grama Ridge East "34" State Well No. 1 at a standard gas well location on a standard 320-acre lay-down gas spacing unit comprising the N/2 of Section 34;
- (e) the Grama Ridge East "34" State Well No. 1 was drilled in March, 2000 to a depth of 13,500 feet and completed as a Morrow gas well on June 9, 2000; on June 19, 2000 the Division's Hobbs district office approved Nearburg Producing Company's "*Request for Allowable and Authorization to Transport*" (Division Form C-104), and on June 22, 2000 approved a testing allowable for the well;
- (f) in July, 2000 Nearburg Producing Company was notified by the Division's Hobbs district office that the previously authorized lay-down N/2 spacing unit included acreage from two separate Morrow gas pools [see Finding Paragraph No. (3) above];
- (g) Nearburg filed an administrative application pursuant to Division Rule 104.D, as revised, with the Division's Santa Fe office on January 8, 2001 for the two subject 160-acre non-standard gas spacing units within the E/2 of Section 34;
- (h) due to inadequate notification pursuant to Division Rule 1207.A (3), the administrative application was ruled incomplete by the Division on February 5, 2001, and Nearburg was duly informed by letter to provide such notice;
- (i) subsequent to Nearburg's notification, Redrock filed

objections in a timely manner with the Division on February 12 and 14, 2001; the application was then set for hearing before a Division Examiner;

- (j) pending the hearing, the Grama Ridge East "34" State Well No. 1 was allowed to continue producing gas from the East Grama Ridge-Morrow Gas Pool;
- (k) at the conclusion of the June 28, 2001 hearing, a four-week continuance was granted in order to give all the parties in this matter the opportunity to reach a mutually acceptable agreement; and
- (l) at the July 26, 2001 hearing, the Examiner ordered Nearburg to shut-in its Grama Ridge East "34" State Well No. 1 because an agreement had not been reached.

(9) The evidence and testimony presented in this case and in Division Cases No. 12441 and 12588 [see Paragraph Nos. (8) and (9) of Division Order No. R-11611] indicate that although the Nearburg Producing Company-operated Grama Ridge East "34" State Well No. 1 is completed in and producing from the Morrow formation, it is not in communication with the unitized interval of Raptor Natural Pipeline LLC's Grama Ridge Morrow Gas Storage Unit.

(10) Nearburg Exploration Company, LLC presented engineering and geological testimony in support of its application, which the Division finds inconclusive for the following reasons:

- (a) Nearburg developed a P/Z curve with bottom-hole flowing pressures instead of static reservoir pressures, and for a deep gas well such as the Grama Ridge East "34" State Well No. 1, the difference between the static reservoir pressures and bottom-hole flowing pressures can be substantial.
- (b) The gas compressibility factors or the gas deviation factors (the Z- factor) and the gas formation volume factors (Bg) depend on and change with temperature and pressure. When the pressures and the temperatures are incorrect, the calculated P/Z values are erroneous; therefore a plot of P/Z versus cumulative production will give a wrong slope, which translates into a wrong Initial Gas in Place and

Estimated Ultimate Recovery (EUR)*. Nearburg arrived at an estimated ultimate recovery of 1.1 Bcf using the material balance method, which Nearburg's witness admitted to be too low.

- (c) The decline curve analysis presented by Nearburg is not precise enough to support any conclusion about the ultimate recovery from the Grama Ridge East "34" State Well No.1. Nearburg's witness testified that the well is declining between 50 and 82 percent annually, with probable estimated ultimate recovery of 1.7 Bcf. A range of 50 to 82 percent is too wide to use as a basis for estimating ultimate recovery.
- (d) Nearburg's witness calculated an estimated ultimate recovery of 2.7 Bcf from the geological isopach map of the Grama Ridge East Morrow sands.
- (e) Haas Petroleum Consultants conducted volumetric analysis for Nearburg and demonstrated that the estimated ultimate recovery is about 3.0 Bcf. The ultimate recovery as presented in Nearburg's testimony ranges from 1.1 to 3.0 Bcf.
- (f) Using an estimated ultimate recovery of 1.7 Bcf, Nearburg presented testimony that the size of the reservoir is between 140 and 165 acres. If the size of the reservoir is between 140 and 165 acres, we can calculate the drainage radius to be between 1393 and 1513 feet respectively. Since the well is located in the NE/4 of Section 34, Township 21 South, Range 34 East, NMPM, Eddy County, New Mexico, at a standard gas well location 1548 feet from the North line and 990 feet from the East line (Unit H), it is probable that the SE/4 of Section 34 is contributing recoverable hydrocarbons in this interval even under Nearburg's conservative estimates of ultimate recovery.

*EUR is calculated as follows: $EUR = [P_i/Z_i - P_a/Z_a]/\text{slope}$ where i indicates initial conditions and a indicates abandonment conditions.

(11) There is insufficient evidence to support Nearburg's contentions about the size, shape, and orientation of this producing interval or to show that the SE/4 does not contribute recoverable hydrocarbons in this interval.

(12) The application of Nearburg for approval of two non-standard 160-acre gas spacing units within the East Grama Ridge-Morrow Gas Pool comprising the NE/4 of Section 34 and the SE/4 of Section 34 should be **denied**.

(13) All past and any future Morrow gas production from the Nearburg Grama Ridge East "34" State Well No. 1, as described above, should be allocated to either: (i) the N/2 of Section 34, being a standard 320-acre lay-down gas spacing unit, in either the East Grama Ridge-Morrow Gas Pool or the Grama Ridge-Morrow Gas Pool, depending on the necessary adjustment to the pool boundaries to be sought through the Division's nomenclature process; or (ii) the E/2 of Section 34, being a standard 320-acre stand-up gas spacing unit in the East Grama Ridge-Morrow Gas Pool.

IT IS THEREFORE ORDERED THAT:

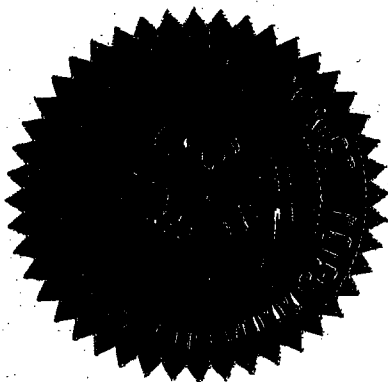
(1) The application of Nearburg Exploration Company, L.L.C., for an exception to the spacing provisions of Division Rule 104.C (2) creating two non-standard 160-acre spacing units within the East Grama Ridge-Morrow Gas Pool comprising: (i) the NE/4 of Section 34, Township 21 South, Range 34 East, NMPM, Eddy County, New Mexico, to be dedicated to the Nearburg Producing Company's existing Grama Ridge East "34" State Well No. 1 (API No. 30-025-34948), located at a standard gas well location 1548 feet from the North line and 990 feet from the East line (Unit H) of Section 34; and (ii) the SE/4 of Section 34 to be dedicated to the EOG Resources, Inc. Llano "34" State Well No. 1 (API No. 30-025-26318), located at a standard gas well location 1650 feet from the South line and 660 feet from the East line (Unit I) of Section 34, is hereby **denied**.

(2) The above-described Nearburg Producing Company Grama Ridge East "34" State Well No. 1 shall remain shut-in pending the following:

- (a) establishment of a standard 320-acre stand-up gas spacing unit comprising the N/2 or the E/2 of Section 34; and
- (b) designation of a single Division-approved operator for this unit and the applicable well dedicated thereto.

(3) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery

LORI WROTENBERY
Director

County Lea

Pool Northeast Grama Ridge-Bone Spring

TOWNSHIP


21 South

RANGE

34 East

NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36



Description: SW 1/4 Sec. 26 (A-9843, 2-8-93)

COUNTY *Lea*

POOL

*Grana Ridge - Bone Springs*TOWNSHIP *21 South*

RANGE

34 East

NMFM

40

(28430)

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

A red square is drawn around the cell for Section 33.

Description: $\frac{SE}{4}$ Sec. 33 (R-3104, 9-1-66)

County Lea

Lower
East Grama Ridge A Bone Spring
Pool


28440

TOWNSHIP 21 South

Range 34 East

NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36



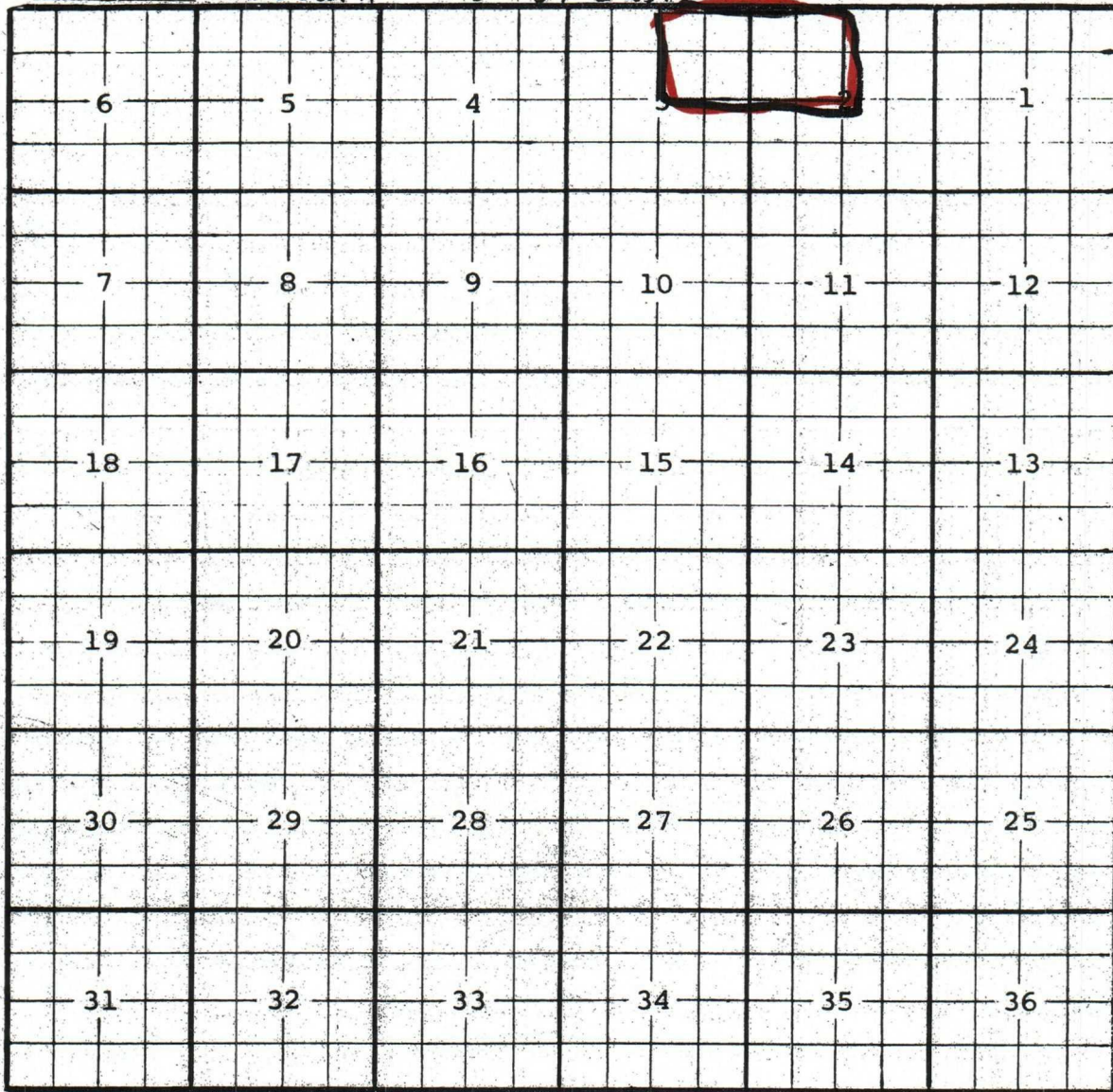
Description: SW/4 Sec 35 (R-5958, 4-1-79)

Redesignated East Grama Ridge - Bone Spring (R-6005, 6-1-79)

Vertical limits contracted to interval from 10,472 to 10,900 feet (R-6363, 7-1-82)

County Lea Pool East Grama Ridge-Lower Bone Springs

TOWNSHIP 22 South Range 34 East NMPM



Ext: NW 1/4 Sec 2, NE 1/4 Sec 3 (A-6576, 2-10-81)

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF NEARBURG EXPLORATION
COMPANY L.L.C. FOR TWO NON-STANDARD
GAS SPACING AND PRORATION UNITS,
LEA COUNTY, NEW MEXICO.

CASE NO. 12622 (*de novo*)

APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING,
RE-DESIGNATING AND EXTENDING THE
VERTICAL AND HORIZONTAL LIMITS
OF CERTAIN POOLS IN LEA COUNTY,
NEW MEXICO.

CASE NO. 12908-A (*severed and
re-opened*)

ORDER NO. R-11768-A

ORDER ON PRE-HEARING MOTIONS OF REDROCK

BY THE DIVISION DIRECTOR:

This matter has come before the Division Director of the Oil Conservation Division on motions of Redrock Operating Ltd. Co. (hereinafter referred to as "Redrock") for an Order striking certain exhibits and limiting evidence during the hearing of this matter, and the consolidated response to the motions of Nearburg Exploration Company L.L.C. (hereinafter referred to as "Nearburg"), and the Division Director, on this 15th day of October 2002, having reviewed the motions, the response, the pre-hearing statements, and the proposed exhibits submitted by Nearburg,

FINDS:

1. Redrock has filed two motions in this matter. The first is a motion *in limine*, which seeks to exclude from the hearing of this matter any evidence concerning settlement, discovery, contracts, title or "Redrock's overriding royalty." The second, a motion to strike, objects to Nearburg's proposed Exhibit 2 (the chronology), Exhibit 12 (a title opinion), Exhibit 13 (a letter and title opinion), and Exhibit 23 (a letter and an assignment).

2. In both motions, Redrock expresses concern that admission of these items might unduly influence the Commission, might cause the Commission to be prejudiced

against Redrock, or misdirect the Commission's attention away from violations of rules and regulations of the Oil Conservation Division that Redrock alleges were made by Nearburg. Redrock also expresses concern that the Commission will be asked to interpret or construe contracts.

3. Nearburg provided a consolidated response to the motions. Nearburg argues that the motion to strike is improper in this context because the evidence sought to be stricken is not contained in a pleading, and does not conform to NMRA 2002, Rule 1-012(f). Nearburg argues that the motion *in limine* is vague and lacks specificity, and that Redrock's failure to specify which arguments and exhibits it seeks to exclude means the motion *in limine* must be dismissed. Nearburg argues that its chronology and its proposed Exhibit 12 (the title opinion) will not be offered to establish title, but instead to help explain how the present dispute arose. Nearburg argues that proposed Exhibits 13 and 23 are necessary to establish the relevant pool boundaries and the boundaries of the gas storage unit. Nearburg argues that its proposed Exhibit 23, pertaining to the Llano well, is relevant to the issue of the appropriate spacing unit. Nearburg argues that all of the objections lodged by Redrock go to the weight of the evidence, not its admissibility.

4. The New Mexico Rules of Evidence apply in hearings before the Commission, but the rules are relaxed where justice requires. Rule 1212, 19 NMAC 15.N.1212 (the New Mexico Rules of Evidence apply in hearings before the Commission, but "... such rules may be relaxed ... where ... the ends of justice will be better served."). Rule 1212 adopts a standard that is similar to that applied by the New Mexico Courts. See Ferguson-Steere Motor Co. v. State Corporation Commission, 314 P.2d 894, 63 N.M. 137 (1957). The rule has its limitations. See e.g. Bransford v. State Taxation and Revenue Department, 125 N.M. 285, 960 P.2d 827 (Ct.App. 1998)(*legal residuum* rule).

5. Evidentiary issues like those presented here do not arise often in disputes before the Commission. The Commission is well known as a body possessing special expertise, technical competence and specialized knowledge in matters relating to the regulation of oil and natural gas exploration and production. Santa Fe Exploration 114 N.M. at 114-115 ("[T]he resolution and interpretation of [conflicting evidence] requires expertise, technical competence, and specialized knowledge or engineering and geology as possessed by Commission members."). See also Viking Petroleum v. Oil Conservation Commission, 100 N.M. 451, 672 P.2d 280 (1983)(the Oil Conservation Commission has experience, technical competence and specialized knowledge dealing with complex matters relating the regulation of exploration and production of oil and natural gas, and the sometimes arcane rules that govern such operations), Grace v. Oil Conservation Commission, 87 N.M. 205, 208, 531 P.2d 939 (1975)(same).

6. The Commission's special expertise, technical competence and specialized knowledge make it unlikely that it will be unfairly swayed or prejudiced and the Commission is quite capable of giving evidence its proper weight. And, for the same

reason, it is unlikely that objections to the admissibility of evidence based on Rule 11-403 of the Rules of Evidence on the grounds of prejudice or confusion will be well-taken.

7. Case No. 12622 concerns the application of Nearburg to create non-standard 160 acre spacing units comprising the northeast quarter and the southeast quarter of Section 34 (Township 21, Range 34 East, NMPM, Lea County, New Mexico). Case No. 12908-A is a nomenclature case originally filed by the Division in which it is proposed that the East Grama Ridge-Morrow Gas Pool be contracted to exclude the east half of Section 34, and the Grama Ridge-Morrow Gas Pool be extended to include the east half of that section. The relevance of Nearburg's proposed exhibits, other evidence and argument should be evaluated according to the goals of the proceeding as set forth in the applications.

8. Taking the specific objections of Redrock one by one, Redrock objects to the introduction of any evidence regarding settlement. The only such evidence that seems to be offered at present is contained in Nearburg's proposed Exhibit 2, the chronology. Nearburg offers the chronology to show how the events of the last three years led to the filing of the applications. See Nearburg's consolidated response, at 8. Nearburg also argues that the chronology is responsive to the issue raised by Redrock: "how did Nearburg get into this mess." See Redrock's Motion in Limine, at 2. Nearburg argues that evidence of settlement negotiations is admissible so long as the conduct or statements contained in those proceedings are not offered to establish liability.

9. Rule 11-408 of the Rules of Evidence, NMRA 2002, provides that "[e]vidence of (1) furnishing or offering or promising to furnish, or (2) accepting or offering or promising to accept, a valuable consideration in compromising or attempting to compromise a claim which is disputed as to either validity or amount, is not admissible to prove liability of the claim or its amount." The Rule does not prohibit admission of such evidence for another purpose, and the mere fact that a settlement has occurred may be admissible. See Fahrbach v. Diamond Shamrock, Inc., 1996-NMSC-063, 122 N.M. 543, 928 P.2d 269. However, "matters regarding settlement are not usually relevant." Fahrbach, 122 N.M. at 548. Moreover, the rule "... generally counsels the trial court to exclude evidence of settlement unless the party wishing to introduce such evidence establishes a valid purpose." Examples of a valid purpose are provided in Fahrbach; the purpose described by Nearburg (to give context to these proceedings) is not one of them.

10. As noted, Rule 1212 of the rules and regulations of the Oil Conservation Division requires adherence to the New Mexico Rules of Evidence except where relaxation of the rules is necessary to serve "... the ends of justice" Here, the fact that settlement negotiations occurred, or their day-to-day progress, is not critical to the Commission's deliberations and relaxation of the Rules of Evidence in this instance is not required by the ends of justice. Accordingly, the chronology should be revised to exclude such references.

11. Redrock also objects to any evidence concerning "discovery." It is not clear what discovery Redrock is concerned with, and no specific objection is made to any particular exhibit or line of questioning or argument. Therefore, no specific ruling can issue on this point unless and until evidence is offered during the hearing of this matter. It should be noted that if the Commission is asked to resolve any remaining procedural matters during the hearing of this matter, it may need to receive evidence concerning "discovery" in order to render a proper ruling.

12. Redrock objects to evidence being received by the Commission concerning "contracts," "title," or "Redrock's overriding royalty." Redrock specifically objects to Nearburg's proposed Exhibit 12, a title opinion, Exhibit 13, a letter and a title opinion, and Exhibit 23, a letter and assignment. With respect to Redrock's overriding royalty, Redrock asserts that its existence has been admitted to by Nearburg, and also asserts that there is no issue whether the royalty interest exists as described, citing to the record of the Division case for this assertion.

13. It appears, on review of Nearburg's pre-hearing statement and Exhibits 12, 13 and 23, that this evidence (denoted as "land testimony" by Nearburg) presents a history of Section 34 and of the two pools at issue here, and is apparently being offered by Nearburg to explain how this controversy arose. This kind of contextual evidence is always helpful to the Commission.

14. However, Exhibit 12, a title opinion issued to Roca Resources Company, Inc., appears to raise hearsay concerns. But its admissibility cannot be assessed until a foundation is presented during the hearing. Exhibit 13 appears to be a document prepared by Redrock and may therefore be admissible under the hearsay exception in NMRA 2002, Rule 11-801(D)(2)(a) (admission of party opponent). Once again, its admissibility cannot be assessed until a foundation is presented during the hearing. Exhibit 23 consists of a letter that may constitute hearsay, and an assignment that appears not to be hearsay. See Rule 11-803(N)(records of documents affecting an interest in property) or Rule 11-803(O)(statements in documents affecting an interest in property). No ruling can be made on the documents that comprise Exhibit 23 until a foundation is laid during the hearing.

15. Redrock also expresses a broader concern that the Commission will be invited to decide "contractual" issues between the parties. Nearburg, in its consolidated response to the motion *in limine* and motion to strike, states that its Exhibit 13 "... will not be offered for the purpose of establishing title or arguing title issues." See Nearburg's Consolidated Response, at 8. In the remainder of its response and in its amended pre-hearing statement, Nearburg does not raise any contractual or title issues, and its pledge not to raise such issues on page 8 of the consolidated response appears to be a broad one. Therefore, no protective order is necessary at this time; if such issues arise during the hearing of this matter, Redrock should make objection at the time evidence is offered.

16. Redrock also lodges an objection to the chronology as a whole (Nearburg's proposed exhibit 2) on the grounds that the exhibit is argumentative, contains hearsay, contains extraneous matters and contains matters beyond the jurisdiction of the Commission.

17. The New Mexico Rules of Evidence permit admission of a summary of "... voluminous writings ... which cannot be conveniently be examined in court ..." NMRA 202, Rule 11-1006. An adequate foundation for introduction of a summary under Rule 1006 can be established by a witness who either prepared the summary or had a supervisory role and knowledge of how it was prepared. Cafeteria Operators v. Coronado - Santa Fe Associates, 1998-NMCA-005, 124 N.M. 440, 952 P.2d 435. Nearburg appears to view the chronology as a summary, admissible under Rule 1006. A foundation will have to be established during the hearing for admission under Rule 1006, and a ruling on this point will have to await the hearing.

18. However, proposed Nearburg Exhibit 2 appears to be a hybrid; while it is partly a summary of documents, it is also partly a chronology of events. Review of the document discloses that documents representing each entry are not going to be in the record. The chronology is probably best characterized as a demonstrative aid to Nearburg's witnesses rather than as a summary. It may be admitted as a demonstrative aid or, if the proper foundation is laid during the hearing, as a summary pursuant to Rule 11-1006. It should be noted that documents similar to Nearburg's chronology (Redrock offers a similar document) are routinely accepted by the Oil Conservation Division and the Commission and have been helpful to provide necessary background and orientation.

19. Redrock objects to "extraneous matters" in the chronology, and this objection seems to be one of relevance. Redrock has not identified which items are "extraneous." Therefore, no ruling can be made on this point. Redrock also objects to inclusion in the chronology of matters that are "beyond the jurisdiction" of the Commission. Once again, no specific items are referred to. This may be an argument related to Redrock's concerns about "contractual" or "title" issues discussed earlier, in which Redrock's concerns have been addressed. Reviewing the chronology, it appears that any given item, such as the offer of the State Land Office to lease acreage on December 21, 1999, may relate to a matter that is "beyond the jurisdiction" of the Commission in terms of regulatory authority, but that it is nevertheless relevant and admissible to provide background and context for the present controversy. No ruling on this point can be made due to the lack of specificity.

IT IS THEREFORE ORDERED THAT:

1. Redrock's motions concerning the chronology (Nearburg's proposed Exhibit 2) are granted in-part and denied in-part. Redrock's objection to the document in its entirety is denied subject to a proper foundation being laid by Nearburg during the hearing of this matter, either as a summary or as a demonstrative aid. Redrock's objection to evidence of

settlement negotiations contained within Exhibit 2 is granted; Nearburg shall remove all such references and resubmit the document. Redrock's objections to material within Exhibit 2 concerning "extraneous matters" and to "matters beyond the jurisdiction of the Commission" are denied for lack of specificity.

2. Redrock's motions concerning the title opinion (Nearburg's proposed Exhibit 12) are denied subject to a proper foundation being laid by Nearburg during the hearing.

3. Redrock's motions concerning the letter and title opinion (Nearburg's proposed Exhibit 13) are denied subject to a proper foundation being laid by Nearburg during the hearing.

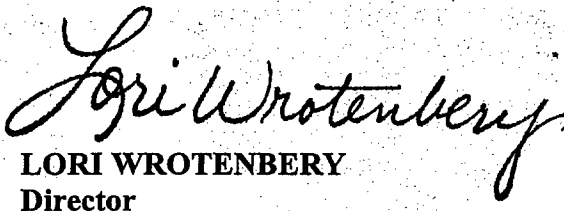
4. Redrock's motions concerning the letter and assignment (Nearburg's proposed Exhibit 23) are denied subject to a proper foundation being laid by Nearburg during the hearing.

5. Redrock's motion *in limine* concerning contracts, title and Redrock's overriding royalty are denied. If Nearburg raises these issues for the purpose of obtaining a Commission ruling on such matters (rather than for the purpose of providing context, as they are presently offered), Redrock may raise an appropriate objection.

6. A ruling on Redrock's motion *in limine* concerning "discovery" is deferred to the hearing upon appropriate objection.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director



SEAL

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:**

**APPLICATION OF NEARBURG EXPLORATION
COMPANY L.L.C. FOR TWO NON-STANDARD
GAS SPACING AND PRORATION UNITS,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12622 (*de novo*)

**APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING,
RE-DESIGNATING AND EXTENDING THE
VERTICAL AND HORIZONTAL LIMITS
OF CERTAIN POOLS IN LEA COUNTY,
NEW MEXICO.**

**CASE NO. 12908-A (*severed and
re-opened*)**

ORDER NO. R-11768-B

ORDER OF THE OIL CONSERVATION COMMISSION

BY THE OIL CONSERVATION COMMISSION:

This matter has come before the Oil Conservation Commission (hereinafter referred to as "the Commission") on application of Nearburg Exploration Company L.L.C. (hereinafter referred to as "Nearburg") and the Oil Conservation Division in a related nomenclature matter, opposed by Redrock Operating Ltd. Co. (hereinafter referred to as "Redrock") and Raptor Natural Pipeline L.L.C., formerly Louisville Gas & Electric Natural Pipeline L.L.C. (hereinafter referred to as "Raptor"), and the Commission, having conducted an evidentiary hearing on October 21 and 22, 2002, reviewed the exhibits and other materials submitted by the parties in support of the applications, on this 22nd day of November 2002,

FINDS:

1. Case No. 12622 concerns the application of Nearburg to create non-standard 160-acre spacing units comprising the northeast quarter and the southeast quarter of Section 34 (Township 21, Range 34 East, N.M.P.M., Lea County, New Mexico) or, in the

alternative, for creation of a single standard 320-acre spacing unit comprising the north half of Section 34. Case No. 12908-A is a related nomenclature case originally filed by the Division in which it is proposed that the East Grama Ridge-Morrow Gas Pool be contracted to exclude the east half of Section 34, and the Grama Ridge-Morrow Gas Pool be extended to include the east half of that section.

2. The applications concern Nearburg's Grama Ridge East "34" State Well (hereinafter referred to as "the Nearburg Well") located in the northeast quarter of Section 34, Township 21 South, Range 34 East, N.M.P.M. (API No. 30-025-34948). Nearburg proposes to dedicate the 160- or 320-acre spacing units described previously to this well.

3. In support of its application for a north half unit, Nearburg argued during the hearing of this matter that a small marine deposit exists in the north half of Section 34 and that this east-west oriented sand body dictates that a north half spacing unit be assigned. Nearburg argued that geologic evidence does not support the existence of a fault separating the east and west halves of Section 34. Nearburg agreed that such a feature was previously believed to be present, resulting in the division of Section 34 into two separate pools (the Grama Ridge-Morrow Pool and the East Grama Ridge-Morrow Pool). But Nearburg argued that the pressure communication across the section and the geologic data show that in Section 34 the Morrow formation is a single pool and a common source of supply and the fault does not in fact exist, and no justification exists to separate the pools.

4. Nearburg also responded to claims of Redrock and Raptor that previous administrative action prevents this body from creating a north half unit to dedicated to the Nearburg well. Nearburg argued that the east half spacing unit dedicated to the Llano 34 State Com. No. 1 (hereinafter referred to as "the Llano well") was terminated when the communitization agreement was terminated on March 31, 1991. Nearburg argued that the dedication of the west half of Section 34 to the Shell GRB State No. 1 (hereinafter referred to as "the Raptor well") was terminated when the underlying leases were terminated by the State Land Office in 1991. Nearburg argued that no administrative barriers exist to establishment of a north half unit except the pool boundary, and no administrative barrier exists to establishing a 160-acre nonstandard unit.

5. Redrock opposed the applications. During the hearing, Redrock (an overriding royalty interest owner in the southeast quarter of Section 34) argued that establishing a nonstandard 160-acre spacing unit would effectively segregate the GRE sand of the Morrow and disturb the historical development of the Morrow on 320-acre spacing units. Redrock also argued that since the Morrow sands at issue extend into the southeast quarter of Section 34, a 160-acre unit should not be created. Further, Redrock argued that the depositional orientation of the Morrow is north-south and that Nearburg's orientation of the sands in an east-west orientation is not persuasive both because of the overall depositional pattern and because of the northeast-southwest trending fault that bisects Section 34. Redrock claims the mud log it presented from the Llano well establishes all of these facts.

6. The Division, not an active participant in these proceedings, initiated Case No. 12908 as a nomenclature case. Case No. 12908-A was intended to adjust the boundaries of the Grama Ridge-Morrow Pool from the center of Section 34 to the eastern boundary of Section 34 and adjust the western boundary of the East Grama Ridge-Morrow Pool accordingly.

7. Three wells exist in Section 34. The first well in the section to produce from the Morrow formation was the Raptor well, which was drilled in 1966 in the southwest quarter of Section 34 and produced until about 1973 when it was converted to gas storage, its present function. The next well to produce was the Llano well in the southeast quarter of Section 34. It began producing around 1979 and ceased producing in 1991. The well was plugged by Nearburg in November 2001.

8. The third well is the well at issue: the Nearburg well. Great Western Drilling Co. acquired an oil and gas lease for the north half of Section 34 from the State of New Mexico on January 1, 2000 and a portion of that lease was assigned to Nearburg. In March of that year, Nearburg drilled the well in the northeast quarter of Section 34. The well was successfully completed in the Morrow and production ensued. The well produced from June 2000 to July 2001, when it was shut-in by order of the Division.

9. In July 2000, the Oil Conservation Division (hereinafter referred to as "the Division") notified Nearburg it had mistakenly approved the permit to drill because the dedication of a north half spacing unit places the well in two different pools.

10. Nearburg responded to the Division by filing an administrative application for creation of two 160-acre nonstandard units in the east half of Section 34. Redrock filed an objection to the application, and the case was ultimately heard by the Division. The Division denied the application and ordered the Nearburg well shut-in. Nearburg filed an application for hearing *de novo* to this body. The well remains shut-in.

11. This case raises the issue of the proper size and orientation of the spacing unit to be dedicated to the Nearburg well. Resolution of this issue requires us to review the geologic and engineering evidence presented and determine the size and orientation of the common source of supply in the Morrow formation.

12. It is well known that depositional patterns in the Morrow formation generally run north to south. However, it is also well known in any given area that the Morrow can be extremely complicated. For example, in Order No. R-6050, the Commission found that the Morrow producing interval in Section 34 is not a broad, continuous producing body, but instead contains numerous, isolated sand bodies from which production is drawn. This finding is consistent with the evidence presented by the parties in this case.

13. The parties generally agree that the overall depositional pattern and the regional dip of the Morrow in the vicinity of Section 34 are north-south trending. Redrock argues that the regional dip controls and it interprets the evidence to show a

common source of supply at the Nearburg well oriented in a north-south direction, extending from the northeast quarter into the southeast quarter. Nearburg argues that the specific sands in which the Nearburg well is perforated are marine and are characterized by paleo-strike depositional patterns, and therefore oriented east-west. Nearburg's geologic interpretation is of a small sand body oriented in an east-west direction that is almost entirely contained in the north half of Section 34.

14. Nearburg perforated its well in the sand it refers to as the "GRE sand." This sand is below the clastics marker and below the Morrow "B" Main sand in the Nearburg well. Nearburg's geological interpretation is that the Morrow "GRE" sands are a separate stringer of the Morrow "B" below the "B" sands and represent an offshore bar or beach, parallel to strike and perpendicular to dip.

15. Nearburg's position is the most reasonable and is supported by a number of factors.

16. Nearburg's net sand isopach is more consistent with the available data points and therefore more reliably illustrates the size and position of the sand body. Nearburg's use of an eight percent porosity cutoff to review logs of nearby wells was reasonable; using an eight percent cutoff, the Nearburg well has sixteen feet of "net" GRE sands (sands that are greater than eight percent porosity and therefore possibly productive of hydrocarbons). Using the same technology, other wells such as the Llano well in the southeast corner of Section 34 show only remnants of GRE sands. Similarly, the Raptor well in the southwest quarter of Section 34 also does not contain any discernable GRE sands. The well in Section 27 (immediately to the north of section 34) does show a small amount of GRE sand, as do several wells in Section 35 (immediately to the east of Section 34).

17. The resulting isopach graphically depicts these facts and shows that the possible orientation of the GRE sand body is more reasonably depicted as east-west oriented than north-south oriented. While it appears that lower Morrow "B" sand extends through all of Section 34, the productive GRE sands that exist in the north half of Section 34 do not appear to extend into the south half of the section at all.

18. The log data support a conclusion that the GRE sands are marine in origin or influence. The logs of GRE sands show a coarsening upward sequence, a marine pattern associated with delta front or deltaic systems or reworked marine bar systems. As non-

marine sands are deposited in the general north-south trend, a geologic interpretation that portrays the marine sand oriented in the direction of strike (west-east) is more reasonable. The net sand distribution seen in the isopach is west-east and consistent with the log of the Nearburg well (in that a large sand body is present) and in the logs of wells directly east and northwest.

19. The geologic interpretation described above is also supported by the engineering evidence. Nearburg's estimate of the recoverable reserves in the Nearburg well yielded 1.2 bcf using a decline curve, pressure data and volumetric analysis (or gas in place of 1.4 bcf). Thus, it seems that the reservoir being drained is a comparatively small one. Nearburg's Exhibit 22, by displaying the net pay isopach along with the estimated recoverable reserves from the wells used as data points, graphically displays the small size of the reservoir.

20. The presence of a fault within Section 34 was debated during the hearing, and its existence would certainly be significant in this matter and affect the geologic interpretations. The fault previously formed the rationale for the boundary between the Grama Ridge-Morrow Gas Pool and the East Grama Ridge-Morrow Gas Pool. However, the evidence shows that no such fault exists.

21. A regional fault trends from northwest to southeast through sections 22, 27, 33 of Township 21 South (Range 34 East) and Sections 4, 5 and 8 of Township 22. The feature is well known, and has a throw of approximately 500 to 1000 feet depending on the interpretation and location.

22. During the 1979 hearing in Case No. 6496, a subsidiary fault was depicted through sections 26 and 34 and on through sections 3, 10 and 15 to the south. However, log data show that the same formations exist within a few feet of one another in the Nearburg well, the Raptor well, the Getty "35" State Well No. 11 in the southwest quarter of Section 35, and the Llano well. If a fault bisects Section 34, some formations in the Nearburg and Llano wells should be found several hundred feet deeper in the well bores than they are actually seen. In fact, the Nearburg well on top of the Morrow clastics is approximately 13 feet higher than the Raptor well. If a fault exists, this evidence shows it has virtually no throw.

23. Moreover, the log of the Repeat Formation Tester (hereinafter referred to as "RFT log") performed on the Llano well in 1979 demonstrates pressure communication across Section 34. The log showed significant pressure depletion in the "B2" sands between 12,894 and 12,902 feet in that well. The only other well producing in Section 34 from that specific interval in 1979 was the Raptor well. The pressure information from the Raptor well and the other storage wells Raptor operates is consistent with the pressure found in the "B2" sand in the Llano well. The Morrow sand that is utilized for gas

storage by Raptor extends to the Llano well; if a fault bisects Section 34 no communication between the wells in this interval should be observed on the RFT log. The pressure communication across Section 34 certainly argues strongly against the notion that a fault bisects the section.

24. Finally, Mr. Wells, the engineering witness for Redrock (and, it turns out, an engineer employed by Raptor to assist with operation of the gas storage facility) testified that the gas storage facility operates as one common source of supply or reservoir in Section 34, and indeed, the gas storage unit encompasses all of Section 34. The gas storage unit does not seem to operate as though a fault were present.

25. Redrock relies heavily on the mud log from the Llano well, particularly the gas shows evident on the log, to establish the existence of a north-south trending channel system, and seems to argue that the productive GRE sands extend to the Llano well. But, as Nearburg's witness testified, the mud log appears to be demonstrating the existence of background gas throughout the Morrow interval, not just gas from the GRE sands, and many formations productive of natural gas exist in the Morrow formation which could have been the source of the background gas. The mud system itself could have been carrying gas after exposure to these formations. Furthermore, Nearburg's geological expert testified that the sands seen in the GRE sand interval in the Llano well contain inter-granular gummy shales that certainly would preclude the existence of a productive sand body. Thus, the mud log does not necessarily contradict the other evidence, discussed previously, of an east-west trending sand body.

26. Redrock also apparently advances an argument that the pressure depletion seen on the RFT log of the Llano well might have come from some other source other than the Raptor well, apparently to support an argument that Nearburg has not demonstrated the lack of a fault in Section 34. It seems undisputed that if no fault exists, the reservoir as interpreted by Redrock would exceed the volume that the engineering evidence suggests that it is. Redrock's geologic interpretation postulates the existence of separate pods, one in the east half of Section 34 and others in other sections, none of which, by Redrock's theory, communicate. As noted, the evidence in the well logs shows no fault exists, and Redrock's theories as to other wells that could have been the source of the pressure depletion in the Llano well seem a bit far fetched, given that some of the wells Redrock claims contributed to the depletion are in some cases miles from Section 34. Redrock's claim that separate small pods resulted from a break in deposition seems to detract from its other argument that pressure depletion can come from miles away. Redrock's arguments on this point are a bit strained and not persuasive.

27. Raptor apparently appeared in this case to ensure that its gas storage operations were not impeded by any order concerning the Nearburg well. Raptor presented a statement and exhibits to the Commission and subsequently forwarded a

Reply to Nearburg's Response to its statement during the hearing. Raptor claims it neither supports nor opposes the applications.

28. Raptor operates a natural gas storage unit within Section 34. The gas storage unit includes all of Section 34 but is confined by the unit agreement and amendments to the Morrow formation encountered between log depths of 12,722 feet and 13,208 feet in the Shell Oil Company State GRA Well No. 1 (API No. 30-025-21336), as shown on the Schlumberger Sonic Log B Gamma Ray Log of said well dated July 5, 1965, located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 3, Township 22 South, Range 34 East. See Order No. R-11611, finding no. 4. It appears from the evidence presented in this case that the interval actually being used for storage in Section 34 is the sand interval seen just below the 12,900 foot log level in the Raptor and the Llano wells, and not the entire Morrow formation.

29. Since a gas storage unit exists within the same formation as the Nearburg well, the primary concern should be with communication between the indigenous gas-producing formations and the gas storage interval. However, the evidence suggests that there is no communication between the Nearburg and Raptor wells, and Raptor appears to concede this point. Nearburg also presented evidence that the reservoir sands used by the storage unit do not appear in the Nearburg well, precluding the possibility of communication.

30. Because of the concern for communication, the Division promulgated special pool rules to protect the gas storage interval. In Order No. R-11611, the Division ordered that operators exploring and producing within the Morrow (or lower intervals) within the Grama Ridge Morrow Gas Storage Unit take special precautions to avoid the gas storage operation. Among other things, operators are required to provide Raptor with advance written notification of intent to drill, daily drilling reports and copies of logs. Operators penetrating the Morrow must isolate the formation into which storage is occurring and special cementing requirements and abandonment requirements apply.

31. During the hearing Raptor referred to an "administrative obstacle" to the creation of a north half unit in Section 34: the acreage dedication plat on form C-102 submitted by Llano in 1979 in response to Order No. R-5995. Raptor claimed that this document established a west-half spacing unit for the Raptor well, but also portrayed the problem as a minor administrative issue. After the hearing, a series of briefs were filed by Raptor and Nearburg on this issue. Judging from the rhetoric in both documents, a serious issue exists, yet just what issue is being presented is difficult to discern from the filings. Raptor's Reply suggests that a spacing unit dedicated to the Nearburg well may not extend into the northwest quarter because of the acreage dedication filed in 1979. In

essence, Raptor seems to say that the C-102 filed in 1979 is more than an administrative obstacle, but may constitute an absolute bar on the creation of a north half unit. Raptor's contradictory positions make it difficult to assess its position.

32. The geological and engineering evidence discussed previously demonstrate that a north half unit should be dedicated to the Nearburg well. Thus, the issue of the "administrative obstacle" is raised squarely. Redrock raises a similar administrative obstacle, that of the dedication of the east half of Section 34 to the now-plugged Llano well.

33. The obstacles referred to by Redrock and by Raptor are not obstacles to establishing a north half unit.

34. The positions of Nearburg and Redrock on the 1979 acreage dedication plat seem to stem from confusion about the nature of the gas storage unit. It appears from the evidence presented and the prior proceedings before the Division concerning the storage unit, that the storage unit is only used for the storage of gas in Section 34. Raptor and its predecessors-in-interest seem to have recognized the rights of other operators to produce indigenous gas from other intervals within Section 34¹ so long as it does not interfere with storage operations. The question thus presented is whether the storage unit's dedication of the west half of section 34 *for storage of natural gas* precludes a north half dedication by Nearburg for *production* of natural gas. The answer to this question is no.

35. The geology of the Morrow in this area permits production of indigenous gas and storage of gas within the same pool. Given this geologic situation, nothing should preclude coterminous production of indigenous gas and storage of extraneous gas so long as the gas storage interval is protected. Indeed, if this body were to preclude recovery of indigenous gas within the northwest quarter of Section 34, waste and violation of correlative rights would occur with respect to the indigenous gas. By the same logic, creation of spacing units within the Grama-Ridge-Morrow Unit and the East Grama Ridge-Morrow production pools should not affect a spacing unit created for purposes of gas storage by Raptor under Rule 701 (19.15.9.701 NMAC).

¹ The Second Amendment to the Unit Agreement with the State Land Office and others, Raptor's Exhibit 3, recites that the storage unit is unique in that it conveys an easement to inject, withdraw and store extraneous gas, and that these rights exist "independent[] of the oil and gas leases ..." Raptor, Exhibit 3, at page 2. And, the Second Amendment amended paragraph 10 of the Unit Agreement to provide that indigenous gas "... may only be produced from the unitized formation in accordance with an oil and gas lease ..." Raptor, Exhibit 3, at page 3.

36. Nearburg seems to read the 1979 acreage dedication as a dedication of the west half of Section 34 to the Raptor well to *production* rather than to storage. Nearburg's reading is justified because Raptor took the position during the hearing that the storage unit possesses attributes of both a production and a storage unit. On closer examination, it appears that Raptor was referring to production of cushion gas and possibly also to BTU enrichment of gas from the storage interval. Raptor's lease to produce indigenous gas in the north half of Section 34 was cancelled and another lease covering the entire north half of Section 34 was issued to Great Western/Nearburg by the State Land Office.² As the situation presently exists, the lease to Great Western, the Unit Agreement and the various letters between Raptor, Nearburg and the State Land Office do not seem to give Raptor the right to produce indigenous gas in any portion of the north half of Section 34 outside of the interval in the Morrow presently used for storage.

37. Thus, the parties, the Division and the State Land Office all seem to have taken the position over time that the gas storage activities of Raptor and the exploration and production activities of Nearburg *et al.* can exist within the Morrow without conflict. Nothing presented during the hearing or subsequently convinces this body that any changes to the status quo are needed. The dedication of a north half spacing unit to the Nearburg well respects the geology and engineering testimony and does not interfere with the gas storage unit, which is adequately protected by Order No. R-11611.

38. Redrock's assertion of an administrative obstacle is somewhat simpler to address. Redrock's point is that the dedication of the east half of Section 34 to the Llano well should preclude creation of a north half unit. However, the Llano well has not produced since 1991 and is now plugged. The cessation of production of the Llano well, the plugging of the well, and the termination of the communitization agreement by the State Land Office on March 31, 1991 terminated the east half dedication.

² The State Land Office cancelled Raptor's lease for nonpayment of rentals in 1999. The lease was subsequently offered at a public auction and a lease to the north half of Section 34 was acquired on February 1, 2000 by Great Western Drilling Company (an interest in the lease was subsequently acquired by Nearburg). Subsequent to the issuance of the new lease, Raptor asserted that despite the cancellation of the leases, the unit agreement was perpetuated by the continued storage of gas. The State Land Office contacted the operators of the newly issued leases and cautioned them that their rights to produce indigenous oil and gas were subject to the storage rights of Raptor (then LG&E).

39. Both Redrock and Raptor referred to a series of mistakes in judgment and procedure by Nearburg. It is true that Nearburg failed to discover that the proposed spacing unit crossed Division-designated pool boundaries, and this failure amounts to a lack of due diligence on its part. However, the lack of due diligence by Nearburg cannot serve as the basis for imposition of a spacing unit that is not supported by the geological and engineering evidence.

40. It apparent from the foregoing that the Morrow formation under Section 34 is one common source of supply and is not separated by a fault as previously believed. It is further apparent that the geological and engineering evidence establishes that the spacing unit that best reflects the actual drainage of the Nearburg well is a north half spacing unit, and that establishment of a north half spacing unit will prevent waste and protect correlative rights.

41. It is also apparent from the foregoing that an adjustment of pool boundaries of the Grama Ridge-Morrow and the East Grama Ridge-Morrow pools are necessary.

42. Nearburg has failed to provide a basis for creation of a nonstandard 160-acre spacing unit, and the findings herein make Nearburg's application for such a nonstandard spacing unit moot and that application should be dismissed.

IT IS THEREFORE ORDERED THAT:

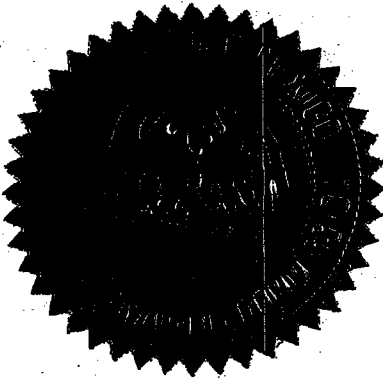
1. Nearburg's application for a 320-acre spacing unit consisting of the north half of Section 34 shall be and hereby is approved. Nearburg's application for a nonstandard 160-acre spacing unit comprised of the northeast quarter of Section is denied as moot. The north half of Section 34 shall be and hereby is dedicated to Nearburg's Grama Ridge East "34" State Well located in the northeast quarter of Section 34, Township 21 South, Range 34 East, N.M.P.M. (API No. 30-025-34948).

2. The Division's application for an adjustment to the eastern boundary of the Grama Ridge-Morrow Pool from the center of Section 34 to the eastern boundary of Section 34 and for the concomitant contraction of the East Grama Ridge-Morrow Pool to the boundary of Section 34 and 35 shall be and hereby is approved.

3. The order to shut-in the Nearburg well issued by the Division shall be and hereby is vacated.

4. Jurisdiction of this matter shall be retained for such further orders as may be necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Lori Wrotenbery
LORI WROTENBERY, CHAIR

Jami Bailey
JAMI BAILEY, MEMBER

Robert Lee
ROBERT LEE, MEMBER

SEAL

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**CASE NO. 6467
ORDER NO. R-5958-B
NOMENCLATURE**

**APPLICATION OF GETTY OIL COMPANY FOR POOL CREATION AND
SPECIAL POOL RULES, LEA COUNTY, NEW MEXICO.**

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the New Mexico Oil Conservation Division ("Division") that Orders No. R-5958, issued in Case No. 6467 on March 30, 1979, and R-5958-A, issued in Reopened Case No. 6467 on May 11, 1980, due to inadvertence do not correctly reflect the intended order of the Division.

FINDS:

(1) By Order No. R-3104, issued in Case No. 3442 on August 19, 1966 and made effective September 1, 1966, the Division created and defined the Grama Ridge-Bone Springs Pool (28430) for the production of oil from the Bone Spring formation underlying the following described lands in Lea County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM

Section 33: SE/4.

The horizontal for this pool never contracted or extended beyond the area described above and represents the current pool boundary of the Grama Ridge-Bone Springs Pool.

(2) Currently the Grama Ridge-Bone Springs Pool is governed by the general Statewide Rules and Regulations with development on standard 40-acre spacing and proration units each having a top unit depth bracket allowable of 320 barrels of oil per day and a limiting gas/oil ratio of 2,000 cubic feet of gas per barrel of oil which results in a casinghead gas allowable of 640 MCF per day. Pursuant to Division Rule 505.A this depth bracket allowable was established and set by Order No. R-3104 to correspond with the top most perforation in the discovery well for the pool, being 10,675 feet in the Sinclair Oil & Gas Company (operator) and Shell Oil Company's (sub-operator) South Wilson Deep Unit No. 2 (API No. 30-025-21746), located in Unit "J" of Section 33.

(3) By Order R-5958, issued in Case No. 6467 on March 30, 1979 and made effective April 1, 1979, the Division created and defined the Grama Ridge-Bone Spring Pool for the production of oil from the Bone Spring formation underlying the following described lands in Lea County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 35: SW/4.

(4) Division Order No. R-5958 further promulgated special pool rules titled "*Special Rules and Regulations for the Grama Ridge-Bone Spring Pool*," including provisions for: (i) 160-acre spacing and proration units; (ii) wells to be located no closer than 660 feet to any quarter section line nor closer than 330 feet to any quarter-quarter section line; and (iii) assigned a depth bracket allowable of 560 barrels of oil per standard 160-acre unit. Pursuant to Division Rule 505.A the limiting gas/oil ratio of 2,000 cubic feet of gas per barrel of oil is set for this pool that results in a casinghead gas allowable of 1,120 MCF per day.

(5) With Order No. R-6005, issued in Case No. 6543 dated May 15, 1979 and made effective on June 1, 1979, the Division addressed the oversight of have two Bone Spring oil pools with the same name by "the redesignation the Grama Ridge-Bone Spring Pool created by Division Order No. R-5958 as the East Grama Ridge-Bone Spring Pool."

(6) By Division Order No. R-5958-A, issued in Reopened Case No. 6467 on May 13, 1980, the Division failed to indicate this pool name change with Division Order No. R-6005 and made the pool rules established by Division Order No. R-5958 permanent for the Grama Ridge-Bone Spring Pool.

(7) To further complicate matters, the Division by Order No. R-6368, issued in Case No. 6926 on June 9, 1980 and made effective July 1, 1980, contracted the vertical limits of the East Grama Ridge-Bone Spring Pool (created by Division Order No. R-5958) and redesignated this pool the East Grama Ridge-Lower Bone Springs Pool (28440).

(8) By Division Order No. R-6576, issued in Case No. 7145 on February 10, 1981 and made effective February 1, 1981, the horizontal boundary of the East Grama Ridge-Lower Bone Springs Pool was extended to include the NW/4 of Section 2 and the NE/4 of Section 3, both in Township 22 South, Range 34 East, NMPM, Lea County, New Mexico.

(9) The horizontal limits for the East Grama Ridge-Lower Bone Springs Pool (28440) as currently designated, include the following described lands in Lea County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM

Section 35: SW/4

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM

Section 2: NW/4

Section 3: NE/4.

(10) The Grama Ridge-Bone Springs Pool (28430) created by Division Order No. R-3104 comprising the SE/4 of Section 33, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico, is a different and separate pool from the East Grama Ridge-Lower Bone Springs Pool (28440), which pool was initially created by Division Order No. R-5958, and currently comprises the area described above in Finding Paragraph No. (9).

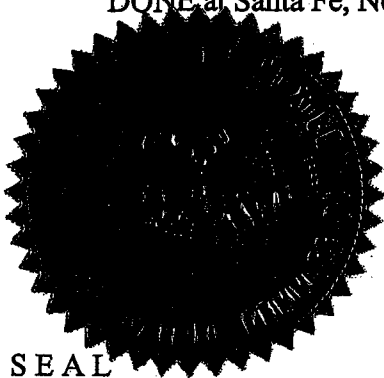
(11) So as not to perpetuate this error further, Division Orders No. R-5958 and R-5958-A should be amended to correctly show the East Grama Ridge-Lower Bone Springs Pool (28440) as the proper designated pool.

IT IS THEREFORE ORDERED THAT:

(1) All references to "*Grama Ridge-Bone Spring Pool*" made in Ordering Paragraphs No. (1), (2), (3), (4), and (5) on pages 2, 3, and 4 of Division Order No. R-5958, and in Ordering Paragraph No. (1) on page 2 of Division Order No. R-5958-A, are hereby amended to read "*East Grama Ridge-Lower Bone Springs Pool*"

(2) The corrections set forth in this order shall be entered retroactively as of July 1, 1980, which is the effective date of Division Order No. R-6368.

DONE at Santa Fe, New Mexico, on this 26th day of October 2004.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P. E.
Director

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF
NEW MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE No. 3442
Order No. R-3104

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION FOR AN
ORDER CREATING, CONTRACTING, AND EXTEND-
ING CERTAIN POOLS IN CHAVES, EDDY, LEA,
AND ROOSEVELT COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 17, 1966, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 19th day of August, 1966, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That there is need for the creation of a new oil pool in Lea County, New Mexico, for the production of oil from the San Andres formation, said pool to bear the designation of Arkansas Junction-San Andres Pool. Said Arkansas Junction-San Andres Pool was discovered by Aztec Oil & Gas Company, Amerada State No. 1, located in Unit C of Section 12, Township 18 South, Range 36 East, NMPM. It was completed in San Andres on June 12, 1966. The top of perforations is 5143 feet.

(3) That there is need for the creation of a new oil pool in Chaves County, New Mexico, for the production of oil from the San Andres formation, said pool to bear the designation of Cato-San Andres Pool. Said Cato-San Andres Pool was discovered by Pan American Petroleum Corporation, D. C. Baskett No. 1, located in Unit L of Section 11, Township 8 South, Range 30 East, NMPM. It was completed in San Andres on June 18, 1966. The top of perforations is 3496 feet.

(4) That there is need for the creation of a new oil pool in Lea County, New Mexico, for the production of oil from the Bone Spring formation, said pool to bear the designation of Grama Ridge-Bone Springs Pool.

Said Grama Ridge-Bone Springs Pool was discovered by Sinclair Oil & Gas Company (Operator) and Shell Oil Company (Sub-operator), South Wilson Deep Unit No. 2, located in Unit J of Section 33, Township 21 South, Range 34 East, NMPM. It was completed in Bone Spring on June 27, 1966. The top of perforations is 10,675 feet.

(5) That there is need for the creation of a new oil pool in Lea County, New Mexico, for the production of oil from the Wolfcamp formation, said pool to bear the designation of Shoe Bar-Wolfcamp Pool. Said Shoe Bar-Wolfcamp Pool was discovered by Ashmun & Hilliard, J. E. Stokes et al No. 1, located in Unit G of Section 26, Township 16 South, Range 35 East, NMPM. It was completed in Wolfcamp on May 22, 1966. The top of perforations is 10,282 feet. Special vertical limits are defined as being from the top of the Wolfcamp at 9890 feet to the shale break at 10,395 feet. The type log is Ashmun & Hilliard, J. E. Stokes et al No. 1, located in Unit G of Section 26, Township 16 South, Range 35 East, NMPM.

(6) That there is need for the deletion of certain acreage from the Loco Hills Grayburg-San Andres Pool in Eddy County, New Mexico, in order that said acreage may be placed in the Grayburg-Jackson Pool so that all wells in Sinclair Oil & Gas Company's F. M. Robinson B Unit III may be in the same pool.

(7) That there is need for certain extensions to the Leslie Spring-San Andres Pool in Chaves County, New Mexico, the Chaveroo-San Andres Pool in Chaves and Roosevelt Counties, New Mexico, the Grayburg-Jackson Pool, the Henshaw Queen Grayburg-San Andres Pool, the Indian Basin-Upper Pennsylvanian Gas Pool, the Lusk-Strawn Pool, and the Penasco-San Andres Pool, all in Eddy County, New Mexico, the Bagley-Upper Pennsylvanian Gas Pool, the Blinebry Oil Pool, the South Corbin-Morrow Gas Pool, the Jenkins-Cisco Pool, the Lovington-Paddock Pool, the Monument-Tubb Pool, the Paddock Pool, the Pearl-Queen Pool, the Vacuum-Upper Pennsylvanian Pool, the Vacuum-Wolfcamp Pool, and the Weir-Blinebry Pool, all in Lea County, New Mexico.

IT IS THEREFORE ORDERED:

(a) That a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production, is hereby created and designated as the Arkansas Junction-San Andres Pool, consisting of the following-described area:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM
SECTION 12: NW/4

(b) That a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production, is hereby created and designated as the Cato-San Andres Pool, consisting of the following-described area:

TOWNSHIP 8 SOUTH, RANGE 30 EAST, NMPM
SECTION 11: SW/4

(c) That a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production, is hereby created and designated as the Grama Ridge-Bone Springs Pool, consisting of the following-described area:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
SECTION 33: SE/4

(d) That a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production, is hereby created and designated as the Shoe Bar-Wolfcamp Pool, consisting of the following-described area:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
SECTION 26: E/2

Special vertical limits: Top pool at 9890 feet, the top of the Wolfcamp formation, bottom pool at the shale break at 10,395 feet. Type log: Ashman and Hilliard, J. E. Stokes et al No. 1, located in Unit G of Section 26, Township 16 South, Range 35 East.

(e) That the Loco Hills Grayburg-San Andres Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby contracted by the deletion of the following-described area:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
SECTION 35: S/2 SE/4 and SE/4 SW/4

(f) That the Grayburg-Jackson Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
SECTION 15: SW/4 SW/4
SECTION 35: S/2 SE/4 and SE/4 SW/4

(g) That the Bagley-Upper Pennsylvanian Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
SECTION 33: NW/4

(h) That the Blinebry Oil Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
SECTION 17: W/2 SE/4

(i) That the Chaveroo-San Andres Pool in Chaves and Roosevelt Counties, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

CASE No. 3442
Order No. R-3104

TOWNSHIP 7 SOUTH, RANGE 33 EAST, NMPM

SECTION 13: SE/4
SECTION 23: E/2 and SW/4
SECTION 25: SE/4
SECTION 27: NE/4
SECTION 31: SE/4

TOWNSHIP 7 SOUTH, RANGE 34 EAST, NMPM

SECTION 19: NE/4 and S/2

TOWNSHIP 8 SOUTH, RANGE 33 EAST, NMPM

SECTION 2: N/2
SECTION 3: NW/4
SECTION 4: NE/4

(j) That the South Corbin-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

SECTION 28: NE/4

(k) That the Henshaw Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM

SECTION 18: NW/4 SW/4

(l) That the Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

SECTION 17: All

(m) That the Jenkins-Cisco Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 9 SOUTH, RANGE 35 EAST, NMPM

SECTION 30: S/2 NW/4

(n) That the Leslie Spring-San Andres Pool in Chaves County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 7 SOUTH, RANGE 26 EAST, NMPM

SECTION 26: N/2 SW/4

(o) That the Lovington-Paddock Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
SECTION 29: SE/4

(p) That the Lusk-Strawn Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM
SECTION 14: SW/4

(q) That the Monument-Tubb Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM
SECTION 34: S/2

(r) That the Paddock Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
SECTION 22: NW/4 and N/2 SW/4

(s) That the Pearl-Queen Pool in Lea County, New Mexico, as heretofore Classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM
SECTION 3: NE/4

(t) That the Penasco-San Andres Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
SECTION 25: N/2 SW/4

(u) That the Vacuum-Upper Pennsylvanian Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
SECTION 24: SW/4

(v) That the Vacuum-Wolfcamp Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
SECTION 24: SW/4

(w) That the Weir-Blincy Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended

-6-

CASE No. 3442
Order No. R-3104

to include therein:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
SECTION 9: W/2 SE/4

IT IS FURTHER ORDERED:

That the effective date of this order and all creations, contractions, and extensions included herein shall be September 1, 1966.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

SEAL

esr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6467
Order No. R-5958

APPLICATION OF GETTY OIL COMPANY
FOR POOL CREATION AND SPECIAL
POOL RULES, LEA COUNTY, NEW MEXICO.

Also see
R-5958-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on February 28, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of March, 1979, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Getty Oil Company, seeks the creation of a new oil pool for Wolfcamp production in Lea County, New Mexico.
- (3) That the applicant also seeks the promulgation of special rules for said pool, including a provision for 160-acre proration units.
- (4) That the evidence presently available indicates that applicant's Getty 35 State Well No. 1, located in Unit K of Section 35, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico, has discovered a separate common source of supply more properly defined as the Bone Spring formation which should be designated the Grama Ridge-Bone Spring Pool; that the vertical limits of the pool should be the Bone Spring formation, and that the horizontal limits of said pool should be as follows:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 35: SW/4

(5) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 160-acre spacing units should be promulgated for the Grama Ridge-Bone Spring Pool.

(6) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(7) That the temporary special rules and regulations should provide for a depth bracket allowable of 560 barrels.

(8) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(9) That this case should be reopened at an examiner hearing in April, 1980, at which time the operators in the subject pool should be prepared to appear and show cause why the subject pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That effective April 1, 1979, a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production, is hereby created and designated the Grama Ridge-Bone Spring Pool, with vertical limits comprising the Bone Spring formation and horizontal limits comprising the following-described area:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 35: SW/4

(2) That temporary Special Rules and Regulations for the Grama Ridge-Bone Spring Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE GRAMA RIDGE-BONE SPRING POOL

RULE 1. Each well completed or recompleted in the Grama Ridge-Bone Spring Pool or in the Bone Spring formation within one mile of the Grama Ridge-Bone Spring Pool, and not nearer to

nor within the limits of another designated Bone Spring pool, shall be spaced, drilled, operated, and prorated in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the Grama Ridge-Bone Spring Pool shall be located on a unit containing 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Lands Survey.

RULE 3. Each well completed or recompleted in said pool shall not be drilled closer than 660 feet to any quarter section line nor closer than 330 feet to any quarter-quarter section line.

RULE 4. For good cause shown, the Division Director may grant an exception to the requirements of Rule 2 without notice and hearing when the application is for a non-standard unit comprising less than 160 acres. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Division Director may approve the application if, after a period of 30 days, no offset operator has entered an objection to the formation of such non-standard unit.

The allowable assigned to any such non-standard unit shall bear the same ratio to a standard allowable in the Grama Ridge-Bone Spring Pool as the acreage in such non-standard unit bears to 160 acres.

RULE 5. A standard proration unit (158 through 162 acres) in the Grama Ridge-Bone Spring Pool shall be assigned a depth bracket allowable of 560 barrels, subject to the market demand percentage factor, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit in any proportion.

IT IS FURTHER ORDERED:

(3) That the locations of all wells presently drilling to or completed in the Grama Ridge-Bone Spring Pool or in the Bone Spring formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs district office of the Division in writing of the name and location of the well on or before June 1, 1979.

(4) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, existing wells in the Grama Ridge-Bone Spring Pool shall have dedicated

thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

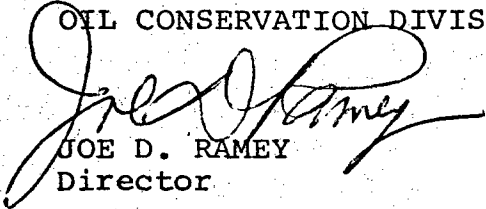
Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Grama Ridge-Bone Spring Pool or in the Bone Spring formation within one mile thereof shall receive no more than one-quarter of a standard allowable for the pool.

(5) That this case shall be reopened at an examiner hearing in April, 1980, at which time the operators in the subject pool should be prepared to appear and show cause why the Grama Ridge-Bone Spring Pool should not be developed on 40-acre spacing units.

(6) That jurisdiction of this cause 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

S E A L

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6543
Order No. R-6005

THE APPLICATION OF THE OIL CONSERVATION
DIVISION UPON ITS OWN MOTION FOR AN ORDER
CREATING, ABOLISHING, REDESIGNATING, AND
EXTENDING CERTAIN POOLS IN CHAVES AND LEA
COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 9, 1979, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 15th day of May, 1979, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of oil from the Bone Spring formation, said pool to bear the designation of Airstrip-Bone Spring Pool. Said Airstrip-Bone Spring Pool was discovered by the Gulf Oil Corporation Lea YH State Well No. 1 located in Unit O of Section 25, Township 18 South, Range 34 East, NMPM. It was completed in the Bone Spring formation on March 26, 1979. The top of the perforations is at 9329 feet.
- (3) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of oil from the Mississippian formation, said pool to bear the designation of North Caprock-Mississippian Pool. Said North Caprock-Mississippian Pool was discovered by the Morris R. Antweil Landlady Well No. 1 located in Unit B of Section 8, Township 12 South, Range 32 East, NMPM. It was completed in the Mississippian formation on February 8, 1979. The top of the perforations is at 11,120 feet.

(4) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of gas from the Atoka formation, said pool to bear the designation of West Bell Lake-Atoka Gas Pool. Said West Bell Lake-Atoka Gas Pool was discovered by the Amoco Production Company Federal H Well No. 1 located in Unit L of Section 26, Township 23 South, Range 33 East, NMPM. It was completed in the Atoka formation on January 28, 1979. The top of the perforations is at 14,725 feet.

(5) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of gas from the Devonian formation, said pool to bear the designation of Langley-Devonian Gas Pool. Said Langley-Devonian Gas Pool was discovered by the ARCO Oil and Gas Company Langley Getty Com Well No. 1 located in Unit N of Section 21, Township 22 South, Range 36 East, NMPM. It was completed in the Devonian formation on February 20, 1979. The top of the perforations is at 12,532 feet.

(6) That there is need for the abolishment of the West Warren-Blinebry Pool in Lea County, New Mexico, in order to include the abolished acreage in the Blinebry Oil and Gas Pool.

(7) That there is need for the redesignation of the Grama Ridge-Bone Spring Pool created by Order No. R-5958 as the East Grama Ridge-Bone Spring Pool since there is already a Grama Ridge-Bone Spring Pool created by Order No. R-3104.

(8) That there is need for certain extensions to the Chaveroo-San Andres Pool in Chaves County, New Mexico, and the Blinebry Oil and Gas Pool, the Comanche Stateline Tansill-Yates Pool, the East Crossroads-San Andres Pool, the Drinkard Pool, the South Eunice-San Andres Pool, the East Lusk-Bone Spring Pool, the Maljamar Grayburg-San Andres Pool, the Mescalero-San Andres Pool, the North Osudo-Morrow Gas Pool, the Quail Ridge-Bone Springs Pool, the North Quail Ridge-Morrow Gas Pool, the Townsend-Morrow Gas Pool, the Townsend-Wolfcamp Pool, and the Warren-Tubb Gas Pool, all in Lea County, New Mexico.

IT IS THEREFORE ORDERED:

(a) That a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production, is hereby created and designated as the Airstrip-Bone Spring Pool, consisting of the following described area:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 25: SE/4

(b) That a new pool in Lea County, New Mexico, classified as an oil pool for Mississippian production, is hereby created and designated as the North Caprock-Mississippian Pool, consisting of the following described area:

TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM
Section 8: NE/4

(c) That a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production, is hereby created and designated as the West Bell Lake-Atoka Gas Pool, consisting of the following described area:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 26: W/2

(d) That a new pool in Lea County, New Mexico, classified as a gas pool for Devonian production, is hereby created and designated as the Langley-Devonian Gas Pool, consisting of the following described area:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 21: S/2

(e) That the West Warren-Blinebry Pool in Lea County, New Mexico, consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 19: SE/4
Section 20: SW/4
Section 29: NW/4

is hereby abolished.

(f) That the Grama Ridge-Bone Springs Pool in Lea County, New Mexico, created by Order No. R-5958, consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 35: SW/4

is hereby redesignated as the East Grama Ridge-Bone Spring Pool.

(g) That the Blinebry Oil and Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 19: SE/4
Section 20: SW/4
Section 26: NE/4
Section 29: NW/4

(h) That the Chaveroo-San Andres Pool in Chaves County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 3: NE/4

(i) That the Comanche Stateline Tansill-Yates Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Section 21: SW/4

(j) That the East Crossroads-San Andres Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM
Section 12: SE/4
Section 14: SE/4
Section 23: SE/4
Section 26: NE/4

(k) That the Drinkard Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 1: NW/4

(l) That the South Eunice-San Andres Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 12: NW/4

(m) That the East Lusk-Bone Spring Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 10: E/2 and SW/4

(n) That the Maljamar Grayburg-San Andres Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 13: NW/4

(o) That the Mescalero-San Andres Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM
Section 11: NW/4

(p) That the North Osudo-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM
Section 29: N/2

(q) That the Quail Ridge-Bone Spring Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 16: NE/4

(r) That the North Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 6: S/2

(s) That the Townsend-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 16: E/2
Section 21: N/2

(t) That the Townsend-Wolfcamp Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM
Section 25: SW/4
Section 26: SE/4

(u) That the Warren-Tubb Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 26: NE/4

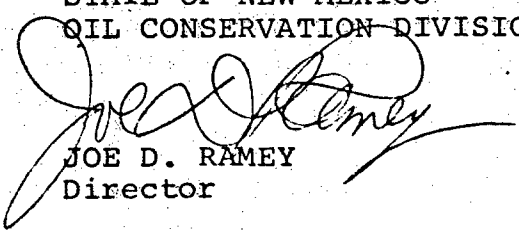
IT IS FURTHER ORDERED:

(1) That, pursuant to Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, any well which, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one which is presently dedicated thereto, shall have 60 days from the effective date of this order in which to file new Forms C-102 dedicating a standard unit for the pool to said well, or to obtain a non-standard unit approved by the Division. Pending such compliance, the well shall receive a maximum allowable in the same proportion to a standard allowable for the pool that the acreage dedicated to the well bears to a standard unit for the pool. Failure to file Form C-102 dedicating a standard unit to the well or to obtain a non-standard unit approved by the Division within said 60-day period shall subject the well to cancellation of allowable.

(2) That the effective date of this order and all creations, abolishments, extensions, and redesignations included herein shall be June 1, 1979.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

S E A L
fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6467
Order No. R-5958-A

IN THE MATTER OF CASE 6467 BEING
REOPENED PURSUANT TO THE PROVISIONS
OF ORDER NO. R-5958, WHICH ORDER
ESTABLISHED SPECIAL RULES AND
REGULATIONS FOR THE GRAMA RIDGE-BONE
SPRING POOL, LEA COUNTY, NEW MEXICO,
INCLUDING A PROVISION FOR 160-ACRE
PRORATION UNITS.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 23, 1980,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 13th day of May, 1980, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

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

(2) That by Order No. R-5958, dated March 30, 1979, tempo-
rary special rules and regulations were promulgated for the Grama
Ridge-Bone Spring Pool, Lea County, New Mexico, establishing
temporary 160-acre spacing units.

(3) That pursuant to the provisions of Order No. R-5958,
this case was reopened to allow the operators in the subject pool
to appear and show cause why the Grama Ridge-Bone Spring Pool
should not be developed on 40-acre spacing units.

(4) That the evidence establishes that one well in the
Grama Ridge-Bone Spring Pool can efficiently and economically
drain and develop 160 acres.

(5) That the Special Rules and Regulations promulgated by Order No. R-5958 have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil in the pool.

(6) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Order No. R-5958 should be continued in full force and effect until further order of the Division.

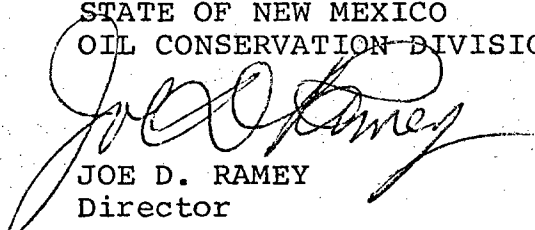
IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the Grama Ridge-Bone Spring Pool, Lea County, New Mexico, promulgated by Order No. R-5958, are hereby continued in full force and effect until further order of the Division.

(2) That jurisdiction of this cause 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 herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

S E A L

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6926
Order No. R-6368

THE APPLICATION OF THE OIL CONSERVATION
DIVISION UPON ITS OWN MOTION FOR AN
ORDER CREATING, CONTRACTING VERTICAL
LIMITS, AND EXTENDING HORIZONTAL LIMITS
OF CERTAIN POOLS IN CHAVES, EDDY, AND
LEA COUNTIES, NEW MEXICO.

*Also see R-6368-A
R-6368-B
R-6368-C*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 4, 1980,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 9th day of June, 1980, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

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

(2) That there is need for the creation of a new pool in
Lea County, New Mexico, for the production of oil from the
Pennsylvanian formation, said pool to bear the designation of
Arkansas Junction-Pennsylvanian Pool. Said Arkansas Junction-
Pennsylvanian Pool was discovered by the Rex Alcorn Bobbie Well
No. 1Y located in Unit J of Section 20, Township 18 South, Range
36 East, NMPM. It was completed in the Pennsylvanian formation
on February 14, 1980. The top of the perforations is at 10,863
feet.

(3) That there is need for the creation of a new pool in
Eddy County, New Mexico, for the production of oil from the
Delaware formation, said pool to bear the designation of Avalon-
Delaware Pool. Said Avalon-Delaware Pool was discovered by the

R-6368-A

36 27
MWJ Producing Company State GW Well No. 1 located in Unit K of Section ~~16~~, Township 20 South, Range ~~29~~ East, NMPM. It was completed in the Delaware formation on October 14, 1979. The top of the perforations is at 4,560 feet.

(4) That there is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Delaware formation, said pool to bear the designation of East Burton-Delaware Pool. Said East Burton-Delaware Pool was discovered by the J. C. Williamson TOG Federal Well No. 1 located in Unit F of Section 16, Township 20 South, Range 29 East, NMPM. It was completed in the Delaware formation on December 10, 1979. The top of the perforations is at 5,293 feet.

(5) That there is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Strawn formation, said pool to bear the designation of Dog Canyon-Strawn Gas Pool. Said Dog Canyon-Strawn Gas Pool was discovered by the Harvey E. Yates Company Gates Federal Deep Well No. 1 located in Unit P of Section 6, Township 17 South, Range 28 East, NMPM. It was completed in the Strawn formation on March 18, 1978. The top of the perforations is at 9,128 feet.

South 2-6368-A (6) That there is need for the creation of a new pool in Chaves County, New Mexico, for the production of oil from the San Andres formation, said pool to bear the designation of Double L-San Andres Pool. Said ^{South} Double L-San Andres Pool was discovered by the McClellan Oil Corporation Mark Federal Well No. 1 located in Unit I of Section 30, Township 15 South, Range 30 East, NMPM. It was completed in the San Andres formation on May 29, 1979. The top of the perforations is at 3,487 feet.

(7) That there is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Grayburg formation, said pool to bear the designation of Empire-Grayburg Gas Pool. Said Empire-Grayburg Gas Pool was discovered by the Carl A. Schellinger West Federal Well No. 1 located in Unit G of Section 14, Township 17 South, Range 27 East, NMPM. It was completed in the Grayburg formation on July 6, 1977. The top of the perforations is at 1,376 feet.

(8) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of gas from the Morrow formation, said pool to bear the designation of North Hume-Morrow Gas Pool. Said North Hume-Morrow Gas Pool was discovered by the Bass Enterprises Production Company Bass 36 State Well No. 1 located in Unit E of Section 36, Township 15 South, Range 34 East, NMPM. It was completed in the Morrow formation on November 30,

1979. The top of the perforations is at 12,045 feet.

(9) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of gas from the Atoka formation, said pool to bear the designation of Lusk-Atoka Gas Pool. Said Lusk-Atoka Gas Pool was discovered by the Phillips Petroleum Company Lusk Deep Unit A Com Well No. 13 located in Unit K of Section 18, Township 19 South, Range 32 East, NMPM. It was completed in the Atoka formation on March 13, 1980. The top of the perforations is at 11,678 feet.

(10) That there is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Morrow formation, said pool to bear the designation of Milepost-Morrow Gas Pool. Said Milepost-Morrow Gas Pool was discovered by the Exxon Corporation Scheidt Federal Well No. 1 located in Unit L of Section 30, Township 26 South, Range 26 East, NMPM. It was completed in the Morrow formation on December 17, 1978. The top of the perforations is at 10,151 feet.

(11) That there is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Atoka formation, said pool to bear the designation of Turkey Track-Atoka Gas Pool. Said Turkey Track-Atoka Gas Pool was discovered by the Tenneco Oil Company State HL 11 Well No. 1 located in Unit N of Section 11, Township 19 South, Range 29 East, NMPM. It was completed in the Atoka formation on November 9, 1979. The top of the perforations is at 10,800 feet.

(12) That there is need for the contraction of the vertical limits of the East Grama Ridge-Bone Springs Pool to the interval from 10,472 feet to 10,900 feet, as found on type log for the Getty Oil Company State 35 Well No. 1 located in Unit K of Section 35, Township 21 South, Range 34 East, NMPM, and the redesignation of said pool as the East Grama Ridge-Lower Bone Springs Pool.

(13) That there is need for certain extensions to the Chaveroo-San Andres Pool and the Tomahawk-San Andres Pool, both in Chaves County, New Mexico, and the Atoka-Yeso Pool, the Burton Flat-Morrow Gas Pool, the Catclaw Draw-Morrow Gas Pool, the Crooked Creek-Morrow Gas Pool, the South Empire-Morrow Gas Pool, the Henshaw Queen-Grayburg-San Andres Pool, the Indian Flats-Delaware Pool, the Logan Draw-San Andres Pool, the Penasco Draw San Andres-Yeso Associated Pool, the East Red Lake Queen-Grayburg Pool, the North Shugart-Morrow Gas Pool, the Turkey Track Seven Rivers-Queen-Grayburg Pool, the Winchester-Morrow

Gas Pool, and the Winchester-Upper Pennsylvanian Gas Pool, all in Eddy County, New Mexico, and the Airstrip-Upper Bone Springs Pool, the Brunson-Fusselman Pool, the Buckeye-Abo Pool, the Cinta Roja-Morrow Gas Pool, the South Corbin-Strawn Pool, the South Corbin-Wolfcamp Pool, the East Grama Ridge-Morrow Gas Pool, the Hat Mesa-Morrow Gas Pool, the Hobbs-Drinkard Pool, the South Kemnitz Atoka-Morrow Gas Pool, the Middle Lynch Yates-Seven Rivers Pool, and the North Vacuum-Abo Pool, all in Lea County, New Mexico.

IT IS THEREFORE ORDERED:

(a) That a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production is hereby created and designated as the Arkansas Junction-Pennsylvanian Pool, consisting of the following described area:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM
Section 20: SE/4

(b) That a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production is hereby created and designated as the Avalon-Delaware Pool, consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 36: SW/4

(c) That a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production is hereby created and designated as the East Burton-Delaware Pool, consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 16: NW/4

(d) That a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production is hereby created and designated as the Dog Canyon-Strawn Gas Pool, consisting of the following described area:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 6: S/2

(e) That a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production is hereby created

South
and designated as the Double L-San Andres Pool, consisting of the following described area:

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM
Section 30: SE/4

(f) That a new pool in Eddy County, New Mexico, classified as a gas pool for Grayburg production is hereby created and designated as the Empire-Grayburg Gas Pool, consisting of the following described area:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 14: NE/4

(g) That a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production is hereby created and designated as the North Hume-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM
Section 36: W/2

(h) That a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production is hereby created and designated as the Lusk-Atoka Gas Pool, consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 18: S/2

(i) That a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production is hereby created and designated as the Milepost-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 26 SOUTH, RANGE 25 EAST, NMPM
Section 36: N/2 N/2 and Lots 1, 2, 3,
and 4

TOWNSHIP 26 SOUTH, RANGE 26 EAST, NMPM
Section 30: S/2
Section 31: N/2 NW/4 and Lots 3 and 4

(j) That a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production is hereby created and

designated as the Turkey Track-Atoka Gas Pool, consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Section 10: E/2

Section 11: S/2

(k) That the vertical limits of the East Grama Ridge-Bone Springs Pool in Lea County, New Mexico, as heretofore classified, defined, and described, are hereby contracted to the interval from 10,472 feet to 10,900 feet, and said pool is redesignated the East Grama Ridge-Lower Bone Springs Pool.

(l) That the Airstrip-Upper Bone Springs Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

Section 25: W/2 SW/4

Section 26: SE/4

(m) That the Atoka-Yeso Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM

Section 33: NW/4 and N/2 S/2

(n) That the Brunson-Fusselman Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Section 8: SE/4

(o) That the Buckeye-Abo Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 9: NW/4

(p) That the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM

Section 13: W/2

Section 14: E/2

Case No. 6926
Order No. R-6368

(q) That the Catclaw Draw-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM
Section 34: S/2

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM
Section 2: Lots 1 through 8

(r) That the Chaveroo-San Andres Pool in Chaves County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 7 SOUTH, RANGE 32 EAST, NMPM
Section 34: NE/4

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 3: SW/4

(s) That the Cinta Roja-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 35 EAST, NMPM
Section 4: All

(t) That the South Corbin-Strawn Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 29: N/2
Section 30: N/2

(u) That the South Corbin-Wolfcamp Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 28: W/2

(v) That the Crooked Creek-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM
Section 8: S/2

(w) That the South Empire-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 17: All

(x) That the East Grama Ridge-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM
Section 12: W/2

(y) That the Hat Mesa-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 10: W/2

(z) That the Henshaw Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM
Section 11: SW/4 SW/4
Section 14: S/2 and W/2 NW/4
Section 15: E/2 SE/4

(aa) That the Hobbs-Drinkard Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM
Section 4: SE/4

(bb) That the Indian Flats-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 2: N/2 NE/4

(cc) That the South Kemnitz Atoka-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and

described, is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 29: W/2

(dd) That the Logan Draw-San Andres Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 19: N/2 NE/4 and SE/4 NE/4

(ee) That the Middle Lynch Yates-Seven Rivers Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 21: E/2 SW/4

(ff) That the Penasco Draw San Andres-Yeso Associated Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 31: SW/4

(gg) That the East Red Lake Queen-Grayburg Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 25: S/2 S/2
Section 26: S/2 SE/4 and SE/4 SW/4
Section 36: N/2 NW/4

(hh) That the North Shugart-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 17: S/2

(ii) That the Tomahawk-San Andres Pool in Chaves County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM
Section 25: SE/4

(jj) That the Turkey Track Seven Rivers-Queen-Grayburg Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 9: E/2 NE/4

(kk) That the North Vacuum-Abo Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 17: NW/4

(ll) That the Winchester-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 1: E/2
Section 3: All

(mm) That the Winchester-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 30: W/2

IT IS FURTHER ORDERED:

(1) That pursuant to Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, any well which, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one which is presently dedicated thereto, shall have 60 days from the effective date of this order in which to file new Forms C-102 dedicating a standard unit for the pool to said well, or to obtain a non-standard unit approved by the Division. Pending such compliance, the well shall receive a maximum allowable in the same proportion to a standard allowable for the pool that the acreage dedicated to the well bears to a standard unit for the pool. Failure to file Form C-102 dedicating a standard unit to the well or to obtain a non-standard unit approved by the Division within said 60-day period shall subject the well to cancellation of allowable.

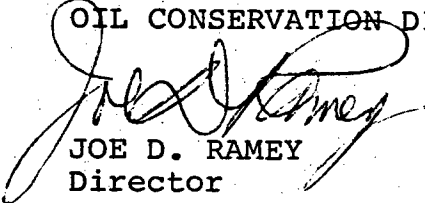
-11-

Case No. 6926
Order No. R-6368

(2) That the effective date of this order and all creations, contractions of vertical limits, and extensions of horizontal limits included herein shall be July 1, 1980.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY
Director

S E A L

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE
OF CONSIDERING:

CASE NO. 7145
Order No. R-6576

THE APPLICATION OF THE OIL
CONSERVATION DIVISION UPON
ITS OWN MOTION FOR AN ORDER
CREATING, CONTRACTING VERTICAL
LIMITS AND EXTENDING HORIZONTAL
LIMITS OF CERTAIN POOLS IN CHAVES,
EDDY, LEA, AND ROOSEVELT COUNTIES,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 28, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of February, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of gas from the Morrow formation, said pool to bear the designation of North Berry-Morrow Gas Pool. Said North Berry-Morrow Gas Pool was discovered by the Getty Oil Company Getty 6 State Com Well No. 1 located in Unit K of Section 6, Township 21 South, Range 34 East, NMPM. It was completed in the Morrow formation on September 5, 1980. The top of the perforations is at 13,451 feet.

(3) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of gas from the Santa Rosa formation, said pool to bear the designation of Cooper-

Santa Rosa Gas Pool. Said Cooper-Santa Rosa Gas Pool was discovered by the O. H. Berry J. L. Isbell Well No. 5Y located in Unit A of Section 15, Township 24 South, Range 36 East, NMPM. It was completed in the Santa Rosa formation on June 20, 1978. The top of the perforations is at 645 feet.

(4) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of oil from the Bone Springs formation, said pool to bear the designation of South Corbin-Bone Springs Pool. Said South Corbin-Bone Springs Pool was discovered by the Southland Royalty Company Federal 21 Com Well No. 1 located in Unit L of Section 21, Township 18 South, Range 33 East, NMPM. It was completed in the Bone Springs formation on October 10, 1980. The top of the perforations is at 9030 feet.

(5) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of gas from the Morrow formation, said pool to bear the designation of West Lynch-Morrow Gas Pool. Said West Lynch-Morrow Gas Pool was discovered by The Superior Oil Company West Lynch Deep Unit Well No. 1 located in Unit O of Section 28, Township 20 South, Range 34 East, NMPM. It was completed in the Morrow formation on September 12, 1980. The top of the perforations is at 13,724 feet.

(6) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of oil from the Blinebry formation, said pool to bear the designation of West Nadine-Blinebry Pool. Said West Nadine-Blinebry Pool was discovered by the Tamarack Petroleum Company Speight Well No. 1 located in Unit D of Section 9, Township 20 South, Range 38 East, NMPM. It was completed in the Blinebry formation on October 25, 1980. The top of the perforations is at 6008 feet.

(7) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of gas from the Atoka and Morrow formations, said pool to bear the designation of Nonombre Atoka-Morrow Gas Pool. Said Nonombre Atoka-Morrow Gas Pool was discovered by the Amoco Production Company State F0 Well No. 3 located in Unit F of Section 32, Township 13 South, Range 34 East, NMPM. It was completed in the Atoka and Morrow formations on October 2, 1980. The top of the perforations is at 12,230 feet.

(8) That there is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Atoka formation, said pool to bear the designation of Southwest Quahada

Ridge-Atoka Gas Pool. Said Southwest Quahada Ridge-Atoka Gas Pool was discovered by the Perry R. Bass Big Eddy Unit Well No. 71, located in Unit F of Section 7, Township 22 South, Range 29 East, NMPM. It was completed in the Atoka formation on January 17, 1980. The top of the perforations is at 11,542 feet.

(9) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of gas from the Abo formation, said pool to bear the designation of Skaggs-Abo Gas Pool. Said Skaggs-Abo Gas Pool was discovered by the Conoco Inc. Britt B Well No. 27 located in Unit G of Section 15, Township 20 South, Range 37 East, NMPM. It was completed in the Abo formation on September 22, 1980. The top of the perforations is at 7046 feet.

(10) That there is need for the creation of a new pool in Roosevelt County, New Mexico, for the production of oil from the Granite Wash formation, said pool to bear the designation of Tanneyhill-Granite Wash Pool. Said Tanneyhill-Granite Wash Pool was discovered by the Energy Reserves Group, Inc. Bledsoe Well No. 1 located in Unit H of Section 11, Township 6 South, Range 33 East, NMPM. It was completed in the Granite Wash formation on September 15, 1980. The top of the perforations is at 7695 feet.

(11) That there is need for the contraction of the vertical limits of the Nonombre-Pennsylvanian Pool in Lea County, New Mexico, to the Cisco, Canyon, and Strawn formations only and the redesignation of said pool to Nonombre-Upper Pennsylvanian Pool.

(12) That there is need for certain extensions to the Tomahawk-San Andres Pool in Chaves County, New Mexico, the Atoka-Pennsylvanian Gas Pool, the Atoka-Yeso Pool, the Avalon-Delaware Pool, the Boyd-Morrow Gas Pool, the East Burton Flat-Atoka Gas Pool, the Burton Flat-Morrow Gas Pool, the Burton Flat-Strawn Gas Pool, the Crooked Creek-Morrow Gas Pool, the South Culebra Bluff-Atoka Gas Pool, the South Empire-Morrow Gas Pool, the Esperanza-Delaware Pool, the Hoag Tank-Morrow Gas Pool, the Malaga-Atoka Gas Pool, the West Malaga-Atoka Gas Pool, the East Millman Queen-Grayburg Pool, the Penasco Draw San Andres-Yeso Associated Pool, the Runyan Ranch-Abo Gas Pool, the Travis-Upper Pennsylvanian Gas Pool, the Turkey Track-Atoka Gas Pool, the Turkey Track-Morrow Gas Pool, the North Turkey Track-Morrow Gas Pool and the Turkey Track Seven Rivers-Queen-Grayburg Pool, all in Eddy County, New Mexico, the Antelope Ridge-Atoka Gas Pool, the Antelope Ridge-Morrow Gas Pool, the Comanche Stateline Tansill-Yates-Seven Rivers Pool, the Dollarhide Tubb-Drinkard Pool, the Eunice Monument Grayburg-San Andres Pool, the East Grama Ridge-Lower Bone Springs Pool, the East Grama Ridge-Morrow

Gas Pool, the Hat Mesa-Morrow Gas Pool, the Northeast Lovington-Pennsylvanian Pool, the North Lusk-Morrow Gas Pool, the Maljamar Grayburg-San Andres Pool, the Maljamar-Morrow Gas Pool, the Nadine Drinkard-Abo Pool, the North Osudo-Morrow Gas Pool, the North Quail Ridge-Morrow Gas Pool, the Sioux Tansill-Yates-Seven Rivers Pool, the Skaggs-Drinkard Pool, and the Teas-Pennsylvanian Gas Pool, all in Lea County, New Mexico, and the South Peterson-Pennsylvanian Pool in Roosevelt County, New Mexico.

IT IS THEREFORE ORDERED:

(a) That a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production is hereby created and designated as the North Berry-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 6: Lots 9, 10, 11, 12, 13,
14, 15, and 16

(b) That a new pool in Lea County, New Mexico, classified as a gas pool for Santa Rosa production, is hereby created and designated as the Cooper-Santa Rosa Gas Pool, consisting of the following described area:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
Section 15: NE/4

(c) That a new pool in Lea County, New Mexico, classified as an oil pool for Bone Springs production, is hereby created and designated as the South Corbin-Bone Springs Pool, consisting of the following described area:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 21: SW/4

(d) That a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production, is hereby created and designated as the West Lynch-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 28: S/2

(e) That a new pool in Lea County, New Mexico, classified as an oil pool for Blinebry production, is hereby created and designated as the West Nadine-Blinebry Pool, consisting of the

following described area:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 9: NW/4

(f) That a new pool in Lea County, New Mexico, classified as a gas pool for Atoka-Morrow production, is hereby created and designated as the Nonombre Atoka-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM
Section 32: W/2

(g) That a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production, is hereby created and designated as the Southwest Quahada Ridge-Atoka Gas Pool, consisting of the following described area:

TOWNSHIP 22 SOUTH, RANGE 29 EAST, NMPM
Section 7: N/2

(h) That a new pool in Lea County, New Mexico, classified as a gas pool for Abo production, is hereby created and designated as the Skaggs-Abo Gas Pool, consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 15: NE/4

(i) That a new pool in Roosevelt County, New Mexico, classified as an oil pool for Granite Wash production, is hereby created and designated as the Tanneyhill-Granite Wash Pool, consisting of the following described area:

TOWNSHIP 6 SOUTH, RANGE 33 EAST, NMPM
Section 11: NE/4

(j) That the vertical limits of the Nonombre-Pennsylvanian Pool in Lea County, New Mexico, as heretofore classified, defined, and described, are hereby contracted to the Cisco, Canyon, and Strawn formations only and said pool redesignated to Nonombre-Upper Pennsylvanian Pool.

(k) That the Antelope Ridge-Atoka Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 14: W/2

(l) That the Antelope Ridge-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 14: All

(m) That the Atoka-Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 9: All
Section 10: W/2

(n) That the Atoka-Yeso Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 26: SW/4 SW/4
Section 27: S/2 S/2

(o) That the Avalon-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 36: N/2 SE/4

(p) That the Boyd-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 35: N/2

(q) That the East Burton Flat-Atoka Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 8: N/2
Section 9: W/2

(r) That the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

Section 35: E/2

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM

Section 1: Lots 9, 10, 11, 12, 13,
14, 15, and 16

(s) That the Burton Flat-Strawn Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 9: S/2

(t) That the Comanche Stateline Tansill-Yates-Seven Rivers Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM

Section 21: E/2

(u) That the Crooked Creek-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM

Section 10: S/2

(v) That the South Culebra Bluff-Atoka Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM

Section 13: W/2

(w) That the Dollarhide Tubb-Drinkard Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 38 EAST, NMPM

Section 18: SW/4

(x) That the South Empire-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 24: S/2

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM
Section 14: E/2

(y) That the Esperanza-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 10: S/2 NE/4

(z) That the Eunice Monument Grayburg-San Andres Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM
Section 27: SW/4

(aa) That the East Grama Ridge-Lower Bone Springs Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM
Section 2: NW/4
Section 3: NE/4

(bb) That the East Grama Ridge-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM
Section 1: E/2

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM
Section 6: All

(cc) That the Hat Mesa-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 13: N/2

(dd) That the Hoag Tank-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 27: All

(ee) That the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM
Section 13: E/2
Section 24: NE/4

(ff) That the North Lusk-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 5: E/2

(gg) That the Malaga-Atoka Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM
Section 3: W/2

(hh) That the West Malaga-Atoka Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM
Section 9: N/2

(ii) That the Maljamar Grayburg-San Andres Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 24: NE/4

(jj) That the Maljamar-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 28: W/2

(kk) That the East Millman Queen-Grayburg Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 24: NW/4 NE/4

(ll) That the Nadine Drinkard-Abo Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM
Section 27: NE/4

(mm) That the North Osudo-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 36 EAST, NMPM
Section 31: E/2
Section 32: All

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM
Section 16: All

(nn) That the Penasco Draw San Andres-Yeso Associated Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 24: N/2 SE/4

(oo) That the South Peterson-Pennsylvanian Pool in Roosevelt County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 6 SOUTH, RANGE 33 EAST, NMPM
Section 2: Lots 1 and 2

(pp) That the North Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 1: E/2

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(qq) That the Runyan Ranch-Abo Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM

Section 8: S/2

Section 9: SW/4

(rr) That the Sioux Tansill-Yates-Seven Rivers Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM

Section 17: E/2

(ss) That the Skaggs-Drinkard Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 9: W/2

Section 16: NW/4

Section 17: N/2

(tt) That the Teas-Pennsylvanian Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 11: N/2

(uu) That the Tomahawk-San Andres Pool in Chaves County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM

Section 25: SW/4

(vv) That the Travis-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 13: S/2 NW/4

Section 14: SE/4

(ww) That the Turkey Track-Atoka Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 10: W/2

(xx) That the Turkey Track-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 10: All

(yy) That the North Turkey Track-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 20: E/2
Section 33: S/2
Section 34: S/2

(zz) That the Turkey Track-Seven Rivers-Queen-Grayburg Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 27: E/2 NW/4

IT IS FURTHER ORDERED:

(1) That pursuant to Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, any well which, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one which is presently dedicated thereto, shall have 60 days from the effective date of this order in which to file new Forms C-102 dedicating a standard unit for the pool to said well, or to obtain a non-standard unit approved by the Division. Pending such compliance, the well shall receive a maximum allowable in the same proportion to a standard allowable for the pool that the acreage dedicated to the well bears to a standard unit for the pool. Failure to file Form C-102 dedicating a standard unit to the well or to obtain a non-standard unit approved by the Division within said 60-day period shall subject the well to cancellation of allowable.

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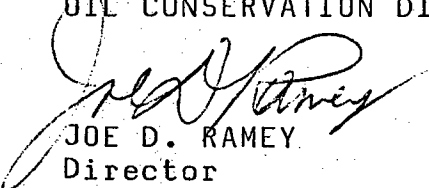
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(2) That the effective date of this order and all creations, contractions, and extensions included herein shall be February 1, 1981.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

S E A L

fd/