

22900

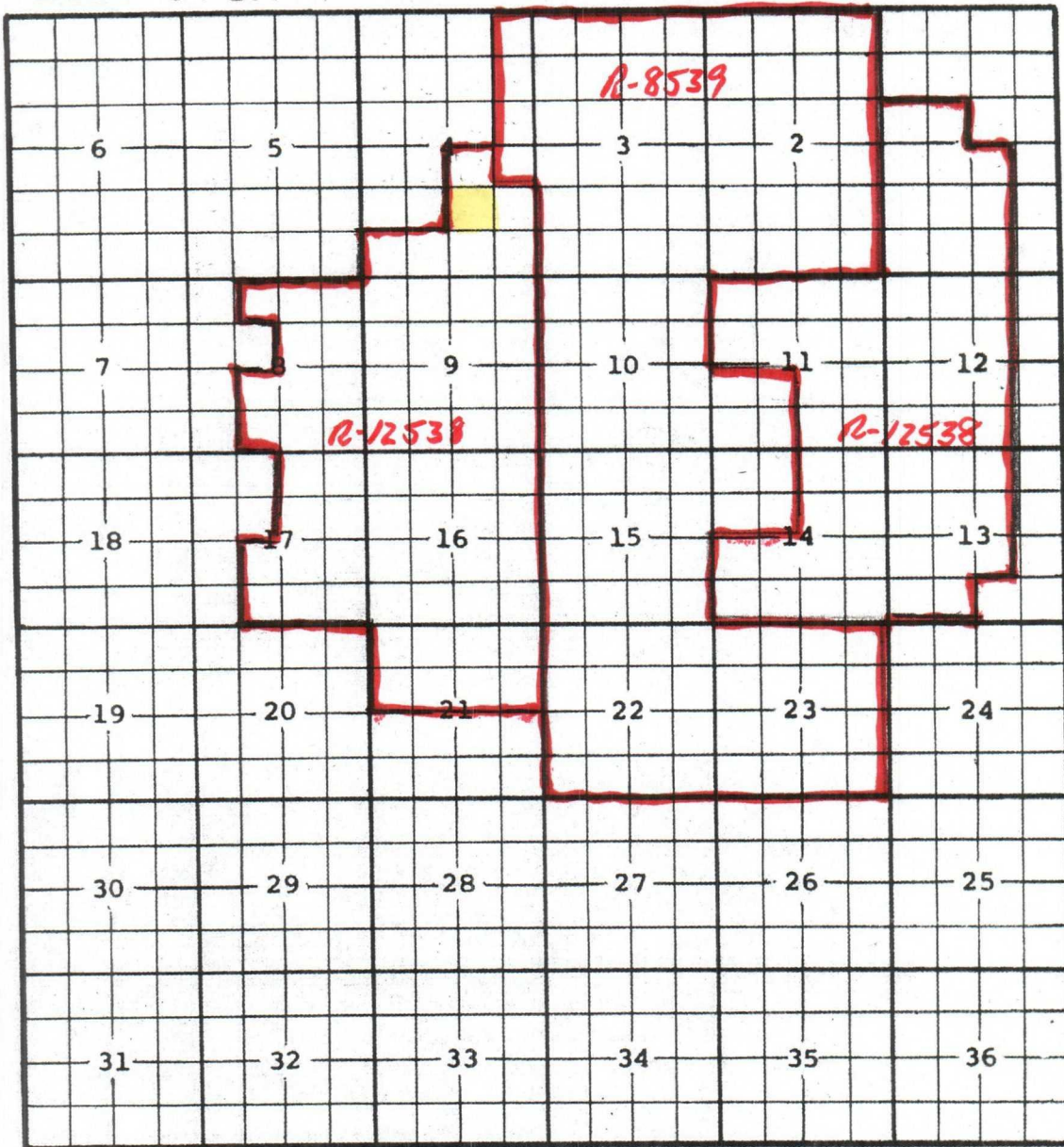
0-4000

COUNTY LEA

POOL NORTH EUNICE BLINEBRY-TUBB-DRINKARD

OIL AND GAS

TOWNSHIP 21 SOUTH RANGE 37 EAST NMPM



DESC: ALL SEC. 2, SEC. 3; LOTS 1, 8, 9, 16 SEC. 4; ALL SEC. 10; $\frac{SW}{4}$ SEC. 11; $\frac{NW}{4}$ SEC. 14;
ALL SEC. 15, ALL SEC. 22, ALL SEC. 23 (R-8539 11/9/87)

Redesignate as North Eunice-Blinebry-Tubb-Drinkard Pool (R-8539-A, 9-24-80)
EXT: Lots 11, 12, 13, 14, 15, $\frac{SW}{4}$ and $\frac{W}{2}$ $\frac{SE}{4}$ Sec. 1, Lot 15, $\frac{SE}{4}$ and $\frac{S}{2}$ $\frac{SW}{4}$ Sec. 4, $\frac{NE}{4}$ $\frac{NW}{4}$, $\frac{E}{2}$ $\frac{SW}{4}$
and $\frac{E}{2}$ Sec. 8, All Sec. 9, $\frac{N}{2}$ and $\frac{SE}{4}$ Sec. 11, $\frac{W}{2}$ and $\frac{W}{2}$ $\frac{E}{2}$ Sec. 12, $\frac{W}{2}$, $\frac{W}{2}$ $\frac{NE}{4}$ and $\frac{NW}{4}$ $\frac{SE}{4}$ Sec. 13,
 $\frac{E}{2}$ and $\frac{SW}{4}$ Sec. 14, All Sec. 16, $\frac{E}{2}$ $\frac{SW}{4}$ and $\frac{E}{2}$ Sec. 17, $\frac{N}{2}$ Sec. 21 (R-12538, 4-28-06)

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. 9230
Order No. R-8539

THE APPLICATION OF SHELL WESTERN
E & P, INC., FOR POOL CREATION,
SPECIAL POOL RULES, AND CONTRACTION
OF THE BLINEBRY, TUBB, AND DRINKARD
POOLS, LEA COUNTY, NEW MEXICO.

See Also Order No. R-8539-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 24, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 9th day of November, 1987, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and having been fully advised in the premises,

FINDS THAT:

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

(2) Division Case Nos. 9230, 9231, and 9232 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Shell Western E & P, Inc., seeks the creation of a new oil and gas pool for Blinebry, Tubb, and Drinkard production, said pool to be designated the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool comprising the following described acreage in Lea County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 2: All
Section 3: All
Section 4: Lots 1, 8, 9, and 16
Section 10: All
Section 11: SW/4
Section 14: NW/4
Section 15: All
Section 22: All
Section 23: All

(4) The applicant further proposes to define the vertical limits of the pool to include the Blinebry, Tubb, and Drinkard formations from a depth of 5530 feet (2101 feet sub-sea) to a depth of 6680 feet (3251 feet sub-sea) on the log run June 21, 1951 on the Shell Argo Well No. 8 located 660 feet from the South line and 2310 feet from the West line of Section 15, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

(5) The applicant seeks the creation of said pool for the purpose of instituting a secondary recovery project (the subject of Case No. 9232) within the described horizontal and vertical boundaries described above.

(6) The applicant further seeks the promulgation of special rules and regulations for said pool including a provision that any well within the pool designated as a gas well will be subject to the gas proration rules set forth in Commission Order No. R-8170, as amended, a provision that simultaneous dedication of pool acreage to oil and gas wells will be allowed, and a provision for well location requirements.

(7) In conjunction with the proposed pool creation, the applicant further seeks the concomitant contraction of the Blinebry Oil and Gas Pool, the Tubb Oil and Gas Pool, and the Drinkard Oil Pool described as follows:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

<u>Blinebry Pool</u>	<u>Tubb Pool</u>	<u>Drinkard Pool</u>
Section 2: All	Lots 3-6,11-14, S/2	All
Section 3: All	All	All
Section 4: Lots 1,8,9,16	Lots 1,8,9,16	Lot 9
Section 10: All	All	All
Section 11: SW/4	SW/4	SW/4
Section 14: NW/4	NW/4	NW/4
Section 15: All	All	All
Section 22: All	All	All
Section 23: All	All	All

(8) The applicant testified that over the operational history of the Blinebry Oil and Gas Pool, the Tubb Oil and Gas Pool, and the Drinkard Oil Pool, the Division has allowed commingling of these pools within the wellbores of numerous wells in the subject area.

(9) This commingling has resulted in the development of effective communication between the three pools, which has in turn resulted in similar formation pressures and production responses.

(10) Consequently, the vertical interval containing the Blinebry, Tubb, and Drinkard formations more closely resembles, at this late stage of primary development, one common single source of supply.

(11) The applicant further presented evidence and testimony which indicates that secondary recovery operations conducted simultaneously within the Blinebry, Tubb, and Drinkard formations would be the most efficient method of operation and would result in the recovery of the maximum amount of secondary reserves from the subject formations within the subject area.

(12) In order to prevent waste caused by the loss of secondary reserves resulting from inefficient secondary recovery operations, and by the unnecessary duplication of facilities required to conduct separate waterflood operations within the three subject formations, the application of Shell Western E & P, Inc. for the creation of a new oil and gas pool for the purpose of conducting secondary recovery operations should be approved.

(13) In order to assure the orderly development and operation of the proposed secondary recovery project within the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool, special rules and regulations, including, but not limited to, well location requirements, oil and gas well spacing, classification, acreage dedication, and recompletions, and reporting procedures should be adopted for a temporary period.

(14) Within the proposed pool boundaries of the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool, there currently exist a number of wells classified as gas wells producing from the Blinebry and/or the Tubb Oil and Gas Pools.

(15) The applicant proposes to continue to operate these wells (shown on Exhibit "A" attached to this order) as gas wells within the Blinebry and/or Tubb Oil and Gas Pools and further proposes that these wells continue to be operated subject to the gas proration rules and regulations contained in Division Order No. R-8170.

(16) The applicant further proposed to recomplete a number of wells currently classified as oil wells to gas wells producing from the Blinebry and/or Tubb formations; (these wells are also shown on Exhibit "A").

(17) The applicant should be allowed to continue to operate the currently existing gas wells, and the proposed recompleted gas wells in the manner described in Finding No. (15) above, subject to certain restrictions which will ensure that remaining primary gas reserves within the Blinebry and/or Tubb Oil and Gas Pools are recovered and which will further ensure that correlative rights will not be violated thereby.

(18) The applicant further requested that the special rules and regulations allow for simultaneous dedication of acreage to oil and gas wells within the pool boundaries.

(19) Testimony by the applicant indicated that the existing and proposed gas wells as shown on Exhibit "A" were or will be producing from isolated gas zones within the Blinebry and Tubb formations and that the production from oil and gas wells which would both occupy a proration unit would not in effect be producing from the same zones.

(20) The effect of allowing simultaneous dedication of acreage within the pool would result in a more efficient and complete production of remaining primary gas reserves, thereby preventing waste, and should be approved.

(21) The applicant further requested at the hearing that a gas-oil ratio limitation of 6000 cubic feet of gas per barrel of oil be established for the subject pool.

(22) Said gas-oil ratio limitation would also allow the applicant to more efficiently and completely produce remaining primary reserves in the interim period prior to initiating waterflood operations and should be approved.

(23) The special rules and regulations promulgated herein should only apply to the area to be utilized by the applicant for secondary recovery operations and further, the horizontal limits of the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool should be expanded only after notice and hearing, and any expansion of said pool should be only for the purpose of expanding or approving secondary recovery operations within the pool.

(24) The temporary special rules and regulations promulgated herein should remain in effect for a period of three years, at which time this case should be reopened to allow the applicant to appear and show cause why the special rules and regulations for the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) A new pool for Blinebry, Tubb, and Drinkard production is hereby created and designated the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool comprising vertical limits defined from a depth of 5530 feet (2101 feet sub-sea) to a depth of 6680 feet (3251 feet sub-sea) on the log run June 21, 1951 on the Shell Argo Well No. 8 located 660 feet from the South line and 2310 feet from the West line of Section 15, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, and with horizontal limits comprised of the following described acreage:

Case No. 9230
Order No. R-8539

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 2: All
Section 3: All
Section 4: Lots 1, 8, 9, 16
Section 10: All
Section 11: SW/4
Section 14: NW/4
Section 15: All
Section 22: All
Section 23: All

(2) The horizontal boundaries of the Blinebry Oil and Gas Pool, the Tubb Oil and Gas Pool, and the Drinkard Oil Pool, are hereby contracted by the deletion of the following described acreage:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

<u>Blinebry Pool</u>	<u>Tubb Pool</u>	<u>Drinkard Pool</u>
Section 2: All	Lots 3-6, 11-14, S/2	All
Section 3: All	All	All
Section 4: Lots 1, 8, 9, 16	Lots 1, 8, 9, 16	Lot 9
Section 10: All	All	All
Section 11: SW/4	SW/4	SW/4
Section 14: NW/4	NW/4	NW/4
Section 15: All	All	All
Section 22: All	All	All
Section 23: All	All	All

(3) Temporary special Rules and Regulations governing operations within the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR THE
NORTH EUNICE BLINEBRY-TUBB-DRINKARD OIL AND GAS POOL

RULE 1. Each well completed or recompleted in the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool or in the Blinebry, Tubb, or Drinkard formations within the designated pool boundaries shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. A producing oil well within the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool shall have dedicated to it a tract consisting of 40 acres comprised of a governmental quarter-quarter section or lot and shall be located no closer than 330 feet to any outer boundary of such tract.

RULE 3. The Division Director shall have authority to grant exceptions to the well location requirements of Rule 2 in accordance with the terms and provisions of General Rule 104(F), and provided the requirements contained in said rule are complied with.

RULE 4. A producing gas well within the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool shall have dedicated to it a tract consisting of 160 acres comprised of contiguous governmental quarter-quarter sections or lots.

RULE 5. All gas wells within the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool shall be subject to the gas proration rules contained in the Rules and Regulations For Prorated Gas Pools (Division Order No. R-8170), and shall further be governed by all other rules contained in the Special Rules and Regulations for the Blinebry Oil and Gas Pool and the Tubb Oil and Gas Pool, whichever is applicable, not inconsistent with the rules promulgated herein.

RULE 6. Acreage within the pool may be simultaneously dedicated to oil and gas wells provided that; any acreage assigned to a gas well within the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool shall not be located closer than 1320 feet to the pool boundaries unless such acreage would be contiguous with a Blinebry and/or Tubb gas proration unit, whichever is applicable, located outside the pool boundaries.

RULE 7. An oil well in the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool shall be a well producing from the vertical and horizontal limits of the pool and not classified as a gas well.

RULE 8. A gas well in the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool shall be a well producing from defined gas intervals within the Blinebry or Tubb formations, and shall not be subject to any specific gas-liquid hydrocarbon ratio; an oil

well in the pool may be recompleted as a gas well in the Blinebry or Tubb formation provided the operator of such well makes application to and receives approval from the supervisor of the Division's Hobbs District Office.

RULE 9. Commingling of production in the wellbore of any well producing from both oil zones and gas zones in the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool is prohibited.

RULE 10. Any gas well producing from both the Blinebry and Tubb formations and classified for at least one year as marginal in both pools may be downhole commingled provided that adequate production history from both zones is available to accurately determine an allocation formula, and the operator has made application to the Division as per Rule No. 303 (C) of the Division's Rules and Regulations.

RULE 11. The limiting gas-oil ratio for wells producing from oil zones in the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool shall be 6000 cubic feet of gas per barrel of oil.

RULE 12. Oil wells in the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool shall receive oil and casinghead gas allowables as provided in either Division General Rule 701 F(3) or Rules 503, 505, and 506.

RULE 13. The operator shall consult with the Division's Hobbs District Office for procedures to be used for obtaining approval of well conversions, recompletions, abandonment of zones, etc., and for production reporting within the pool.

(5) The existing gas wells and the proposed recompleted gas wells shown on Exhibit "A" attached to this order are hereby classified as gas wells in the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool.

(6) Upon recompletion of the proposed gas wells shown on Exhibit "A", the applicant shall file with the Division the necessary completion reports in order that these wells may be added to the gas proration schedule.

Case No. 9230
Order No. R-8539

(7) The effective date of this order shall be November 1, 1987.

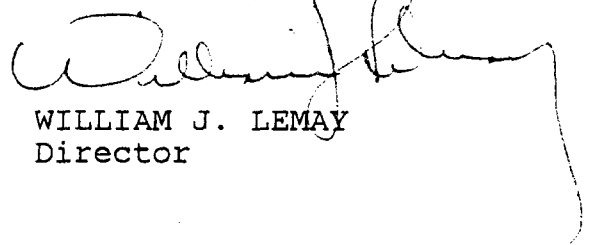
(8) The horizontal limits of the North Eunice Blinbry-Tubb-Drinkard Oil and Gas Pool shall be expanded only after notice and hearing, and any expansion of said pool shall be only for the purpose of expanding or approving any secondary recovery operations within the pool.

(9) This case shall be reopened at an examiner hearing in November, 1990, at which time the applicant shall appear and show cause why the special rules and regulations promulgated herein should not be rescinded.

(10) 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



WILLIAM J. LEMAY
Director

S E A L

EXHIBIT "A"
CASE NO. 9230
ORDER NO. R-8539

NORTHEAST DRINKARD UNIT
EXISTING GAS WELLS

<u>OPERATOR, WELL NAME</u>	<u>UNIT WELL NO.</u>	<u>LOCATION (T-21S R-37E)</u>	<u>PROPOSED COMPLETION</u>
<u>SECTION 15:</u>			
Shell Western Argo No. 5	705	330 FSL & 2310 FWL	Blinebry/Tubb
Marathon Oil Warlick "C" No. 1	706	1980 FSL & 1980 FEL	Blinebry/Tubb

SECTION 22:

Shell Western Turner No. 10	902	2080 FSL & 1650 FWL	Blinebry/Tubb
--------------------------------	-----	---------------------	---------------

Note: The three wells described above are currently completed in the Tubb formation only.

PROPOSED RECOMPLETED GAS WELLS

SECTION 2:

Meridian Oil State "2" No. 8	116	5790 FSL & 660 FWL	Blinebry
Meridian Oil State "2" No. 3	215	3175 FSL & 660 FWL	Blinebry
Shell Western State "2" No. 15	216	3546 FNL & 1650 FWL	Blinebry

SECTION 3:

Shell Western Taylor Glenn No. 9	107	1585 FNL & 1980 FWL	Blinebry
Conoco Hawk B-3 No. 12	305	1980 FSL & 1980 FEL	Blinebry/Tubb

SECTION 4:

Shell Western Livingston No. 12	201	4520 FSL & 660 FEL	Blinebry
------------------------------------	-----	--------------------	----------

SECTION 10:

Conoco			
Hawk B-10 No. 2	404	1980 FNL & 2310 FWL	Blinebry
Conoco			
Hawk B-10 No. 9	405	660 FNL & 1980 FEL	Blinebry
Meridian Oil			
Dauron No. 2	409	660 FNL & 525 FEL	Blinebry

SECTION 11:

Meridian Oil			
Gutman No. 2	510	1980 FSL & 990 FWL	Blinebry/Tubb

SECTION 15:

Cities Service			
State "S" No. 1	602	1980 FNL & 660 FWL	Blinebry
Cities Service			
State "S" No. 5	608	1980 FNL & 1880 FWL	Tubb
Shell Western			
State "15" No. 1	611	1980 FNL & 1978 FEL	Blinebry/Tubb
Marathon Oil			
Warlick "C" No. 9	710	990 FSL & 990 FEL	Blinebry/Tubb

SECTION 22:

Shell Western			
Argo "A" No. 11	804	1650 FNL & 1650 FWL	Blinebry/Tubb
Shell Western			
Turner No. 14	906	2310 FSL & 2310 FEL	Blinebry/Tubb

SECTION 23:

Shell Western			
Sarkeys No. 2	913	1980 FSL & 1980 FWL	Blinebry/Tubb

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. 10052
Order Nos. R-8539-A
R-8541-B

APPLICATION OF SHELL WESTERN E & P
INC. FOR AMENDMENT OF DIVISION ORDER
NOS. R-8539 AND R-8541, AS AMENDED,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 22, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of September, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) By Order No. R-8539 dated November 9, 1987, issued in Case No. 9230 upon application of Shell Western E & P Inc., the Division created and defined the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool for the purpose of conducting secondary recovery operations, and further promulgated Temporary Special Rules and Regulations including provisions whereby Blinebry and Tubb gas wells would be separately classified and produced in accordance with the Rules and Regulations for the Prorated Gas Pools of New Mexico as promulgated by Division Order No. R-8170, as amended.

CASE NO. 10052
Order Nos. R-8539-A
R-8541-B

Page -2-

(3) By Order No. R-8541, as amended, dated November 9, 1987, issued in Case No. 9232, the Division authorized Shell Western E & P Inc. to institute a waterflood project on its Northeast Drinkard Unit within said North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool.

(4) The applicant, Shell Western E & P Inc., seeks to delete Rule Nos. 4 through 10 of the Special Rules and Regulations for the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool, which rules pertain to Blinebry and Tubb gas well classification and production.

(5) In addition, the applicant seeks to delete Rule Nos. 11 and 12, which rules established a limiting gas-oil ratio of 6,000 cubic feet of gas per barrel of oil and oil and gas allowables in accordance with Division General Rule Nos. 701 (F)(3), 503, 505, and 506.

(6) The applicant further seeks to amend Division Order No. R-8541, as amended, by eliminating Ordering Paragraph Nos. (8) and (9) which prohibit injection into gas bearing zones, and which provide that an adequate number of wells be utilized for Blinebry and Tubb gas production.

(7) In addition, pursuant to the provisions of Division Order No. R-8539, the applicant is prepared (via Case No. 10052 in lieu of reopening Case No. 9230) to present evidence and testimony to show cause why the Temporary Rules and Regulations for the subject pool should not be rescinded.

(8) Rule Nos. 4 through 10 and Ordering Paragraph Nos. (8) and (9) as described above, were incorporated into said Order Nos. R-8539 and R-8541, respectively, in order to protect and provide a means by which remaining gas cap reserves within the Blinebry and Tubb formations could be recovered and to further ensure that these gas cap reserves would not be watered out during coexistent waterflood operations.

(9) Rule Nos. 11 and 12 were incorporated into said Order No. R-8539 in order to allow more efficient and complete production of primary reserves within the pool during the interim period prior to commencement of injection operations.

CASE NO. 10052
Order Nos. R-8539-A
R-8541-B

Page -3-

(10) Subsequent to the issuance of Order Nos. R-8539 and R-8541, as amended, the applicant has obtained extensive additional reservoir data which now indicates that the gas caps which may have existed in this reservoir are now largely depleted.

(11) The evidence presented by the applicant indicates that approximately 95 percent of the gas currently being produced within the subject unit is produced from the depleted oil column and approximately 5 percent is being produced from remaining Blinebry and Tubb gas caps.

(12) According to further evidence it is currently uneconomic for the applicant to drill or recomplete wells to produce any remaining gas cap reserves due to the marginal gas production encountered in such wells.

(13) The applicant has demonstrated that the ultimate gas recovery within the unit (approximately 54.7 BCF-1987 forecast) will not be reduced by approval of the subject application.

(14) The applicant has further demonstrated that failure to waterflood depleted gas caps in the reservoir could decrease ultimate oil recovery because of the possibility that oil reserves will be displaced into depleted gas caps and not be recoverable in the future.

(15) The applicant intends, according to testimony, to continue producing these marginal Blinebry and Tubb gas wells until such time as they are depleted or until such time as mechanical failures force the abandonment of such wells.

(16) In order to prevent the drilling of unnecessary wells, promote effective and efficient secondary recovery operations, and to otherwise prevent waste and protect correlative rights, Rule Nos. 4 through 10, 11, and 12 of the Special Rules and Regulations for the North Eunice Blinebry-Tubb Drinkard Oil and Gas Pool and Ordering Paragraph Nos. (8) and (9) of Division Order No. R-8541, as amended, should be rescinded.

CASE NO. 10052
Order Nos. R-8539-A
R - 8541 - B

Page -4-

(17) The evidence and testimony by the applicant further indicates that the pool rules currently in effect, with the exception of those described in Finding No. (16) above, are effective in promoting orderly development of secondary reserves within the subject pool, and should therefore be made permanent.

(18) The subject pool should be redesignated the North Eunice Blinebry-Tubb-Drinkard Pool.

(19) In order to protect the correlative rights of those operators who may be producing gas from the Blinebry and Tubb zones outside the boundary of the North Eunice Blinebry-Tubb-Drinkard Pool, the applicant should be required to notify such affected offset operators in the event the applicant intends to:

- a) Add perforations to any well currently producing from the gas bearing portion of the Blinebry and/or Tubb formation.
- b) Perforate the gas bearing portion of the Blinebry and/or Tubb formation in any currently authorized or subsequently approved injection well.

(20) In accordance with Division General Rule No. 701 (F)(3), the Northeast Drinkard Unit Waterflood Project should be assigned an oil and gas allowable equal to the project's ability to produce.

(21) The amended Rules and Regulations for the North Eunice Blinebry-Tubb-Drinkard Pool should remain in effect until further order of the Division.

CASE NO. 10052
Order Nos. R-8539-A
R-8541-B

Page -5-

IT IS THEREFORE ORDERED THAT:

(1) The North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool, heretofore created and defined by Division Order No. R-8539, Lea County, New Mexico, is hereby redesignated the North Eunice Blinebry-Tubb-Drinkard Pool.

(2) The Special Rules and Regulations for the North Eunice Blinebry-Tubb-Drinkard Pool, as originally promulgated by Division Order No. R-8539 are hereby superseded by the following:

SPECIAL RULES AND REGULATIONS FOR THE
NORTH EUNICE BLINEBRY-TUBB-DRINKARD POOL

- RULE 1. Each well completed or recompleted in the North Eunice Blinebry-Tubb-Drinkard Pool or in the Blinebry, Tubb, or Drinkard formation within the designated vertical and horizontal pool boundaries shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.
- RULE 2. A producing oil well within the North Eunice Blinebry-Tubb-Drinkard Pool shall have dedicated to it a tract consisting of 40 acres comprised of a governmental quarter-quarter section or lot and shall be located no closer than 330 feet to any outer boundary of such tract.
- RULE 3. The Division Director shall have authority to grant exceptions to the well location requirements of Rule 2 in accordance with the terms and provisions of General Rule 104 (F), and provided the requirements contained in said rule are complied with.

CASE NO. 10052
Order Nos. R-8539-A

R-8541-B

Page -6-

RULE 4. The operator shall consult with the Division's Hobbs district office for procedures to be used for obtaining approval of well conversions, recompletions, abandonment of zones, etc., and for production reporting within the pool.

RULE 5. The supervisor of the Hobbs district office of the Division may grant requests to add perforations to any well currently producing from the gas bearing portion of the Blinbry and/or Tubb formation provided that the applicant includes proof that all affected offset operators have been notified of such requests and that no objections have been received by the Division within 20 days of such notification.

RULE 6. The Division Director may grant requests to perforate the gas bearing portion of the Blinbry and/or Tubb formations in any currently authorized or subsequently approved injection well provided that all affected offset operators have been notified of such requests and that no objections have been received by the Division within 20 days of such notification.

(3) Ordering Paragraph Nos. (8) and (9) of Division Order No. R-8541, as amended, are hereby deleted.

(4) In accordance with Division General Rule No. 701 (F)(3), the Northeast Drinkard Unit Waterflood Project shall be assigned an oil and gas allowable equal to the project's ability to produce.

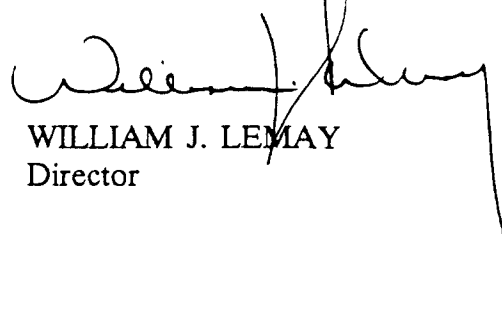
(5) All other provisions contained within Division Order Nos. R-8539 and R-8541, as amended, shall remain in full force and effect.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 10052
Order Nos. R-8539-A
R-8541-B
Page -7-

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

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. 13696
Order No. R-12538

THE APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CONTRACTING AND
EXTENDING CERTAIN POOLS IN LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 13, 2006, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 28th day of April, 2006, 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) There is need for the contraction of the Blinebry Oil and Gas Pool (**Pool Code Oil – 6660, Gas – 72480**) in Lea County, New Mexico in order to correct nomenclature. The deleted acreage will be placed in the North Eunice-Blinebry-Tubb-Drinkard Pool (**Pool Code 22900**).
- (3) There is need for the contraction of the Drinkard Pool (**Pool Code 19190**) in Lea County, New Mexico in order to correct nomenclature. The deleted acreage will be placed in the North Eunice-Blinebry-Tubb-Drinkard Pool (**Pool Code 22900**).
- (4) There is need for the contraction of the Tubb Oil and Gas Pool (**Pool Code Oil – 60240, Gas – 86440**) in Lea County, New Mexico in order to correct

nomenclature. The deleted acreage will be placed in the North Eunice-Blinebry-Tubb-Drinkard Pool (**Pool Code 22900**).

(5) There is need for extensions to the Blinebry Oil and Gas Pool, the Drinkard Pool, the North Eunice-Blinebry-Tubb-Drinkard Pool, and the Tubb Oil and Gas Pool, all in Lea County, New Mexico.

IT IS THEREFORE ORDERED THAT:

(a) The Blinebry Oil and Gas Pool (**Pool Code Oil – 6660, Gas – 72480**) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 1: Lots 11, 12, 13, 14, 15, SW/4 and W/2 SE/4
Section 4: Lot 15, SE/4 and S/2 SW/4
Section 8: NE/4 NW/4, E/2 SW/4 and E/2
Section 9: All
Section 11: N/2 and SE/4
Section 12: W/2 and W/2 E/2
Section 13: W/2, W/2 NE/4 and NW/4 SE/4
Section 14: E/2 and SW/4
Section 16: All
Section 17: E/2 SW/4 and E/2
Section 21: N/2

(b) The Drinkard Pool (**Pool Code 19190**) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 1: Lots 11, 12, 13, 14, SW/4 and W/2 SE/4
Section 4: Lot 15, SE/4 and S/2 SW/4
Section 8: NE/4 NW/4, E/2 SW/4 and E/2
Section 9: All
Section 11: N/2 and SE/4
Section 12: W/2 and W/2 E/2
Section 13: W/2, W/2 NE/4 and NW/4 SE/4
Section 14: E/2 and SW/4
Section 16: All
Section 17: E/2 SW/4 and E/2
Section 21: N/2

(c) The Tubb Oil and Gas Pool (**Pool Code Oil – 60240, Gas – 86440**) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 4: Lot 15, SE/4 and SE/4 SW/4
Section 8: E/2
Section 9: All
Section 13: SW/4
Section 14: E/2 and SW/4
Section 16: All
Section 17: E/2 SW/4 and E/2
Section 21: N/2

(d) The Blinebry Oil and Gas Pool (**Pool Code Oil - 6660, Gas - 72480**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 1: Lots 1, 2, 3, 6, 7 and 8
Section 5: SW/4

(e) The Drinkard Pool (**Pool Code 19190**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 1: Lots 7, 8, 9, 10 and 16
Section 5: S/2

(f) The North Eunice-Blinebry-Tubb-Drinkard Pool (**Pool Code 22900**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 1: Lots 11, 12, 13, 14, 15, SW/4 and W/2 SE/4
Section 4: Lot 15, SE/4 and S/2 SW/4
Section 8: NE/4 NW/4, E/2 SW/4 and E/2
Section 9: All
Section 11: N/2 and SE/4
Section 12: W/2 and W/2 E/2
Section 13: W/2, W/2 NE/4 and NW/4 SE/4
Section 14: E/2 and SW/4
Section 16: All
Section 17: E/2 SW/4 and E/2
Section 21: N/2

(g) The Tubb Oil and Gas Pool (**Pool Code Oil - 60240, Gas - 86440**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 4: N/2 SW/4

Section 5: S/2

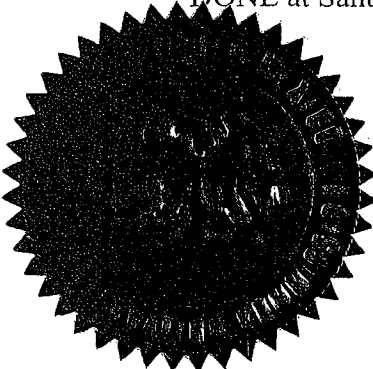
Section 8: W/2 W/2 and SE/4 NW/4

IT IS FURTHER ORDERED THAT:

(1) Pursuant to Section 70-2-18, NMSA, 1978, an operator of any well that, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one presently dedicated thereto, shall have 60 days from the effective date of this order to file Form C-102 dedicating a standard unit for the pool to that 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 that 60-day period shall subject the well to cancellation of allowable.

(2) The effective date of this order and all contractions and extensions included herein shall be May 1, 2006.

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



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