

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. 13431
Order No. R-12288

THE APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING AND
EXTENDING CERTAIN POOLS IN CHAVES AND
EDDY COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 17, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 23rd day of February, 2005, 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 creation of a new pool in Eddy County, New Mexico for the production of oil from the Strawn formation, bearing the designation of Benson-Strawn Pool (Pool Code 97414). The Benson-Strawn Pool was discovered by the Chisos, Ltd Wishbone Federal Well No. 1 (API No. 30-015-30640) located in Unit L of Section 6, Township 19 South, Range 30 East, NMPM, which was completed in the Strawn formation on June 7, 2004. The top of the perforations is at 10,498 feet.

(3) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Wolfcamp formation, bearing the designation of Four Mile Draw-Wolfcamp Gas Pool (Pool Code 97415). The Four Mile Draw-Wolfcamp Gas Pool was discovered by the Mack Energy Corporation Walrus State Well No. 1 (API No. 30-015-33508) located in Unit D of Section 29, Township 18 South, Range 23 East,

NMPM, which was completed in the Wolfcamp formation on October 9, 2004. The top of the perforations is at 5,553 feet.

(4) There is need for the creation of a new pool in Eddy County, New Mexico for the production of oil from the Cisco-Canyon formation, bearing the designation of Henshaw-Upper Pennsylvanian Pool (Pool Code 97410). The Henshaw-Upper Pennsylvanian Pool was discovered by the Edge Petroleum Operating Company, Inc. Henshaw "7" Federal Well No. 1 (API No. 30-015-32676) located in Unit M of Section 7, Township 16 South, Range 30 East, NMPM, which was completed in the Cisco-Canyon formation on August 7, 2004. The top of the perforations is at 8,478 feet.

(5) There is need for the creation of a new pool in Chaves County, New Mexico for the production of gas from the Pre-Permian formation, bearing the designation of Lea Lake-Pre-Permian Gas Pool (Pool Code 97406). The Lea Lake-Pre-Permian Gas Pool was discovered by the Yates Petroleum Corporation Luminary "BAU" Federal Com. Well No. 2 (API No. 30-005-63567) located in Unit A of Section 35, Township 11 South, Range 26 East, NMPM, which was completed in the Pre-Permian formation on February 10, 2004. The top of the perforations is at 5,996 feet.

(6) There is need for the creation of a new pool in Chaves County, New Mexico for the production of gas from the Wolfcamp formation, bearing the designation of Palma Mesa-Wolfcamp Gas Pool (Pool Code 97413). The Palma Mesa-Wolfcamp Gas Pool was discovered by the Yates Petroleum Corporation Hanlad "AKZ" State Well No. 2 (API No. 30-005-62911) located in Unit M of Section 13, Township 8 South, Range 27 East, NMPM, which was completed in the Wolfcamp formation on December 6, 2000. The top of the perforations is at 5,550 feet.

(7) There is need for the creation of a new pool in Eddy County, New Mexico for the production of oil from the Upper Pennsylvanian formation, bearing the designation of Segrest Draw-Upper Pennsylvanian Pool (Pool Code 97416). The Segrest Draw-Upper Pennsylvanian Pool was discovered by the Mack Energy Corporation Coral State Well No. 1 (API No. 30-015-33405) located in Unit H of Section 26, Township 19 South, Range 23 East, NMPM, which was completed in the Upper Pennsylvanian formation on October 4, 2004. The top of the perforations is at 6,487 feet.

(8) There is need for extensions to the Alacran Hills-Atoka Gas Pool, the Angell Ranch-Atoka-Morrow Gas Pool, the Bass-Morrow Gas Pool, the Southeast Cemetery-Morrow Gas Pool, the East Cottonwood Creek-Abo Gas Pool, the Crow Flats-Morrow Gas Pool, the Northeast Dos Hermanos-Morrow Gas Pool, the Dublin Ranch-Morrow Gas Pool, the Golden Lane-Morrow Gas Pool, the Ingle Wells-Delaware Pool, the Lone Tree Draw-Wolfcamp Pool, the South Loving-Delaware Pool, the Malaga-Morrow Gas Pool, the Nash Draw-Delaware Pool, the Southeast Quahada Ridge-Delaware Pool, the Runyan Ranch-Abo Gas Pool, and the Scanlon-Morrow Gas Pool, all in Eddy County, New Mexico; the Foor Ranch-Wolfcamp Gas Pool and the Haystack-Cisco Gas Pool, both in Chaves County, New Mexico; and the West Lusk-Delaware Pool in Eddy and Lea Counties, New Mexico.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Eddy County, New Mexico classified as an oil pool for Strawn production is hereby created and designated as the Benson-Strawn Pool (**Pool Code 97414**), consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM
Section 6: SW/4

(b) A new pool in Eddy County, New Mexico classified as a gas pool for Wolfcamp production is hereby created and designated as the Four Mile Draw-Wolfcamp Gas Pool (**Pool Code 97415**), consisting of the following described area:

TOWNSHIP 18 SOUTH, RANGE 23 EAST, NMPM
Section 29: N/2

(c) A new pool in Eddy County, New Mexico classified as an oil pool for Cisco-Canyon production is hereby created and designated as the Henshaw-Upper Pennsylvanian Pool (**Pool Code 97410**), consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM
Section 7: SW/4

(d) A new pool in Chaves County, New Mexico classified as a gas pool for Pre-Permian production is hereby created and designated as the Lea Lake-Pre-Permian Gas Pool (**Pool Code 97406**), consisting of the following described area:

TOWNSHIP 11 SOUTH, RANGE 26 EAST, NMPM
Section 35: E/2

(e) A new pool in Chaves County, New Mexico classified as a gas pool for Wolfcamp production is hereby created and designated as the Palma Mesa-Wolfcamp Gas Pool (**Pool Code 97413**), consisting of the following described area:

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM
Section 13: S/2

(f) A new pool in Eddy County, New Mexico classified as an oil pool for Upper Pennsylvanian production is hereby created and designated as the Segrest Draw-Upper Pennsylvanian Pool (**Pool Code 97416**), consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM
Section 26: NE/4

(g) The Alacran Hills-Atoka Gas Pool (Pool Code 70060) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 6: Lots 11, 12, 13, 14, 17 and 18 and Unit
Letters K and N

(h) The Angell Ranch-Atoka-Morrow Gas Pool (Pool Code 70310) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

Section 2: S/2

(i) The Bass-Morrow Gas Pool (Pool Code 71640) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM

Section 33: All

(j) The Southeast Cemetery-Morrow Gas Pool (Pool Code 97031) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 2: S/2

(k) The East Cottonwood Creek-Abo Gas Pool (Pool Code 97373) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 25 EAST, NMPM

Section 29: N/2

Section 30: E/2

Section 32: N/2

(l) The Crow Flats-Morrow Gas Pool (Pool Code 75720) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM

Section 28: S/2

(m) The Northeast Dos Hermanos-Morrow Gas Pool (Pool Code 76076) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM

Section 1: S/2

Section 2: S/2

(n) The Dublin Ranch-Morrow Gas Pool (Pool Code 76140) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM

Section 21: W/2

(o) The Foor Ranch-Wolfcamp Gas Pool (Pool Code 76750) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM

Section 1: S/2

(p) The Golden Lane-Morrow Gas Pool (Pool Code 77560) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

Section 36: S/2

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM

Section 31: SW/4

(q) The Haystack-Cisco Gas Pool (Pool Code 78320) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 6 SOUTH, RANGE 27 EAST, NMPM

Section 8: N/2

(r) The Ingle Wells-Delaware Pool (Pool Code 33745) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 10: SE/4

(s) The Lone Tree Draw-Wolfcamp Pool (Pool Code 97208) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 22: S/2

Section 23: SW/4

(t) The South Loving-Delaware Pool (Pool Code 40380) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM

Section 16: NE/4

(u) The West Lusk-Delaware Pool (Pool Code 41540) in Eddy and Lea Counties, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 24: N/2

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 19: N/2

(v) The Malaga-Morrow Gas Pool (Pool Code 80920) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM

Section 21: E/2

(w) The Nash Draw-Delaware Pool (Pool Code 47545) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 30 EAST, NMPM

Section 18: SE/4

(x) The Southeast Quahada Ridge-Delaware Pool (Pool Code 50443) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Section 36: NW/4

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 6: SW/4

(y) The Runyan Ranch-Abo Gas Pool (Pool Code 84340) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM

Section 4: SW/4

Section 9: NW/4

(z) The Scanlon-Morrow Gas Pool (Pool Code 84920) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

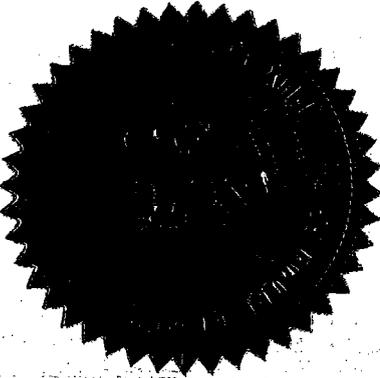
Section 30: W/2

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 creations and extensions included herein shall be March 1, 2005.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director

CASE 13431: In the matter of the hearing called by the Oil Conservation Division for an order creating and extending certain pools in Chaves, Eddy and Lea Counties, New Mexico.

(a) CREATE a new pool in Eddy County, New Mexico classified as an oil pool for Strawn production and designated as the Bensen-Strawn Pool (**Pool Code 97414**). The discovery well is the Chisos, Ltd. Wishbone Federal Well No. 1 (**API No. 30-015-30640**) located in Unit L of Section 6, Township 19 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM

Section 6: SW/4

(b) CREATE a new pool in Eddy County, New Mexico classified as a gas pool for Wolfcamp production and designated as the Four Mile Draw-Wolfcamp Gas Pool (**Pool Code 97415**). The discovery well is the Mack Energy Corporation Walrus State Well No. 1 (**API No. 30-015-33508**) located in Unit D of Section 29, Township 18 South, Range 23 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 23 EAST, NMPM

Section 29: N/2

(c) CREATE a new pool in Eddy County, New Mexico classified as an oil pool for Upper Pennsylvanian production and designated as the Henshaw-Upper Pennsylvanian Pool (**Pool Code 97410**). The discovery well is the Edge Petroleum Operating Company, Inc. Henshaw "7" Federal Well No. 1 (**API No. 30-015-32676**) located in Unit M of Section 7, Township 16 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM

Section 7: SW/4

(d) CREATE a new pool in Chaves County, New Mexico classified as a gas pool for Pre-Permian production and designated as the Lea Lake-Pre-Permian Gas Pool (**Pool Code 97406**). The discovery well is the Yates Petroleum Corporation Luminary "BAU" Federal Com. Well No. 2 (**API No. 30-005-63567**) located in Unit A of Section 35, Township 11 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 11 SOUTH, RANGE 26 EAST, NMPM

Section 35: E/2

(e) CREATE a new pool in Chaves County, New Mexico classified as a gas pool for Wolfcamp production and designated as the Palma Mesa-Wolfcamp Gas Pool (**Pool Code 97413**). The discovery well is the Yates Petroleum Corporation Hanlad "AKZ" State Well No. 2 (**API No. 30-005-62911**) located in Unit M of Section 13, Township 8 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM

Section 13: S/2

(f) CREATE a new pool in Eddy County, New Mexico classified as an oil pool for Upper Pennsylvanian production and designated as the Segrest Draw-Upper Pennsylvanian Pool (**Pool Code 97416**). The discovery well is the Mack Energy Corporation Coral State Well No. 1 (**API No. 30-015-33405**) located in Unit H of Section 26, Township 19 South, Range 23 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM

Section 26: NE/4

(g) EXTEND the Alacran Hills-Atoka Gas Pool (**Pool Code 70060**) in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 6: Lots 11, 12, 13, 14, 17, and 18 and Unit Letters K and N

(h) EXTEND the Angell Ranch-Atoka-Morrow Gas Pool (**Pool Code 70310**) in Eddy County, New Mexico to include:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

Section 2: S/2

(i) EXTEND the Bass-Morrow Gas Pool (**Pool Code 71640**) in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM

Section 33: All

(j) EXTEND the Southeast Cemetery-Morrow Gas Pool (**Pool Code 97031**) in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 2: S/2

(k) EXTEND the East Cottonwood Creek-Abo Gas Pool (**Pool Code 97373**) in Eddy County, New Mexico to include:

TOWNSHIP 16 SOUTH, RANGE 25 EAST, NMPM

Section 29: N/2

Section 30: E/2

Section 32: N/2

(l) EXTEND the Crow Flats-Morrow Gas Pool (**Pool Code 75720**) in Eddy County, New Mexico to include:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM
Section 28: S/2

(m) EXTEND the Northeast Dos Hermanos-Morrow Gas Pool (**Pool Code 76076**) in Eddy County, New Mexico to include:

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM
Section 1: S/2
Section 2: S/2

(n) EXTEND the Dublin Ranch-Morrow Gas Pool (**Pool Code 76140**) in Eddy County, New Mexico to include:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 21: W/2

(o) EXTEND the Foor Ranch-Wolfcamp Gas Pool (**Pool Code 76750**) in Chaves County, New Mexico to include:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM
Section 1: S/2

(p) EXTEND the Golden Lane-Morrow Gas Pool (**Pool Code 77560**) in Eddy County, New Mexico to include:

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

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM
Section 31: SW/4

(q) EXTEND the Haystack-Cisco Gas Pool (**Pool Code 78320**) in Chaves County, New Mexico to include:

TOWNSHIP 6 SOUTH, RANGE 27 EAST, NMPM
Section 8: N/2

(r) EXTEND the Ingle Wells-Delaware Pool (**Pool Code 33745**) in Eddy County, New Mexico to include:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 10: SE/4

(s) EXTEND the Lone Tree Draw-Wolfcamp Pool (**Pool Code 97208**) in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 22: S/2

Section 23: SW/4

(t) EXTEND the South Loving-Delaware Pool (**Pool Code 40380**) in Eddy County, New Mexico to include:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM

Section 16: NE/4

(u) EXTEND the West Lusk-Delaware Pool (**Pool Code 41540**) in Eddy and Lea Counties, New Mexico to include:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 24: N/2

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 19: N/2

(v) EXTEND the Malaga-Morrow Gas Pool (**Pool Code 80920**) in Eddy County, New Mexico to include:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM

Section 21: E/2

(w) EXTEND the Nash Draw-Delaware Pool (**Pool Code 47545**) in Eddy County, New Mexico to include:

TOWNSHIP 24 SOUTH, RANGE 30 EAST, NMPM

Section 18: SE/4

(x) EXTEND the Southeast Quahada Ridge-Delaware Pool (**Pool Code 50443**) in Eddy County, New Mexico to include:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Section 36: NW/4

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 6: SW/4

(y) EXTEND the Runyan Ranch-Abo Gas Pool (**Pool Code 84340**) in Eddy County, New Mexico to include:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM

Section 4: SW/4

Section 9: NW/4

(z) EXTEND the Scanlon-Morrow Gas Pool (Pool Code 84920) in Eddy County, New Mexico to include:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

Section 30: W/2

IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.