

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. 13907
Order No. R-12750

THE APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING 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 12, 2007, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 23rd day of April, 2007, 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 Lea County, New Mexico, for the production of gas from the Morrow formation, bearing the designation of West Anderson Ranch-Morrow Gas Pool (**Pool Code 97552**). The West Anderson Ranch-Morrow Gas Pool was discovered by the OXY USA WTP Limited Partnership OXY Night Hawk State Com. Well No. 1 (**API No. 30-025-37637**) located in Unit I of Section 20, Township 16 South, Range 32 East, NMPM, which was completed in the Morrow formation on August 6, 2006. The top of the perforations is at 12,614 feet.

(3) There is need for the creation of a new pool in Lea County, New Mexico for the production of gas from the Queen formation, bearing the designation of Northeast Brunson-Queen Gas Pool (**Pool Code 97559**). The Northeast Brunson-Queen Gas Pool was discovered by the Marathon Oil Company Walter Lynch Well No. 12 (**API No. 30-025-37556**) located in Unit F of Section 1, Township 22 South, Range 37 East, NMPM,

which was completed in the Queen formation on April 25, 2006. The top of the perforations is at 3,676 feet.

(4) 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, bearing the designation of East Corbin-Bone Spring Pool (**Pool Code 97568**). The East Corbin-Bone Spring Pool was discovered by the Mack Energy Corporation Lea KG State Well No. 1 (**API No. 30-025-36370**) located in Unit I of Section 35, Township 17 South, Range 33 East, NMPM, which was completed in the Bone Spring formation on July 10, 2006. The top of the perforations is at 7,543 feet.

(5) There is need for the creation of a new pool in Lea County, New Mexico for the production of gas from the Morrow formation, bearing the designation of Langley-Morrow Gas Pool (**Pool Code 97579**). The Langley-Morrow Gas Pool was discovered by the BP America Production Company Javelina Well No. 1 (**API No. 30-025-37943**) located in Unit M of Section 10, Township 22 South, Range 36 East, NMPM, which was completed in the Morrow formation on December 12, 2006. The top of the perforations is at 10,514 feet.

(6) There is need for the creation of a new pool in Lea County, New Mexico for the production of oil from the Yates formation, bearing the designation of Southeast Lusk-Yates Pool (**Pool Code 97578**). The Southeast Lusk-Yates Pool was discovered by the Yates Petroleum Corporation Lusk AHB Federal Well No. 1 (**API No. 30-025-30808**) located in Unit B of Section 35, Township 19 South, Range 32 East, NMPM, which was completed in the Yates formation on October 3, 2006. The top of the perforations is at 2,969 feet.

(7) There is need for the creation of a new pool in Lea County, New Mexico for the production of gas from the Atoka formation, bearing the designation of West Mescalero-Atoka Gas Pool (**Pool Code 97570**). The West Mescalero-Atoka Gas Pool was discovered by the Yates Petroleum Corporation Fender State Unit Well No. 2 (**API No. 30-025-37765**) located in Unit L of Section 17, Township 10 South, Range 32 East, NMPM, which was completed in the Atoka formation on October 25, 2006. The top of the perforations is at 10,623 feet.

(8) There is need for the creation of a new pool in Lea County, New Mexico for the production of gas from the Atoka formation, bearing the designation of Southwest Ranger Lake-Atoka Gas Pool (**Pool Code 97571**). The Southwest Ranger Lake-Atoka Gas Pool was discovered by the Yates Petroleum Corporation Mocha State Unit Well No. 2 (**API No. 30-025-36097**) located in Unit N of Section 33, Township 12 South, Range 34 East, NMPM, which was completed in the Atoka formation on October 5, 2006. The top of the perforations is at 11,822 feet.

(9) There is need for the creation of a new pool in Lea County, New Mexico for the production of gas from the Atoka formation, bearing the designation of Rock Lake-Atoka Gas Pool (**Pool Code 97525**). The Rock Lake-Atoka Gas Pool was

discovered by the Devon Energy Production Company LP. Keller 4 State Well No. 1 (**API No. 30-025-36643**) located in Unit K of Section 4, Township 23 South, Range 35 East, NMPM, which was completed in the Atoka formation on August 26, 2006. The top of the perforations is at 12,846 feet.

(10) There is need for the creation of a new pool in Lea County, New Mexico for the production of oil from the Upper Pennsylvanian formation, bearing the designation of Sand Springs-Upper Pennsylvanian Pool (**Pool Code 97556**). The Sand Springs-Upper Pennsylvanian Pool was discovered by the Yates Petroleum Corporation Chesney State Unit Well No. 1 (**API No. 30-025-37259**) located in Unit O of Section 2, Township 11 South, Range 35 East, NMPM, which was completed in the Upper Pennsylvanian formation on August 17, 2006. The top of the perforations is at 10,398 feet.

(11) There is need for the creation of a new pool in Lea County, New Mexico for the production of oil from the Strawn formation, bearing the designation of Southeast Wilson-Strawn Pool (**Pool Code 97580**). The Southeast Wilson-Strawn Pool was discovered by the Mewbourne Oil Company Osudo South 20 State Well No. 1 (**API No. 30-025-37560**) located in Unit C of Section 20, Township 21 South, Range 35 East, NMPM, which was completed in the Strawn formation on November 9, 2006. The top of the perforations is at 11,005 feet.

(12) There is need for extensions to the Southwest Anderson Ranch-Wolfcamp Pool, the Southwest Arrowhead-Grayburg Pool, the Southwest Austin-Morrow Gas Pool, the Southwest Austin-Upper Pennsylvanian Pool, the Southwest Austin-Wolfcamp Pool, the East Bell Lake-Delaware Pool, the South Big Dog-Strawn Pool, the Bootleg Ridge-Morrow Gas Pool, the Casey-San Andres Pool, the Caudill-Atoka Gas Pool, the Eight Mile Draw-Abo Pool, the Northwest Eight Mile Draw-Morrow Gas Pool, the Eunice-San Andres Pool, the EK-Bone Spring Pool, the East Featherstone-Bone Spring Pool, the Gem-Bone Spring Pool, the East Gem-Yates Pool, the North Hightower-Atoka Pool, the House-Abo Pool, the Jenkins-Devonian Pool, the Southeast Lane-Abo Pool, the West Leamex-Morrow Gas Pool, the North Leamex-Paddock Pool, the Southeast Livingston Ridge-Delaware Pool, the North Lusk-Bone Spring Pool, the Lusk-Strawn Pool, the Maljamar Grayburg-San Andres Pool, the Penrose Skelly-Grayburg Pool, the Reeves-Pennsylvanian Pool, the South Saunders-Permo Upper Pennsylvanian Pool, the Tres Papalotes-Atoka Gas Pool, the West Triste Draw-Delaware Pool, the Northeast Vacuum-Blinebry Pool, the Vacuum-Grayburg-San Andres Pool, the Vacuum-Morrow Gas Pool, the Vacuum-Wolfcamp Pool and the East Warren-Tubb Pool, all in Lea County, New Mexico.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Lea County, New Mexico classified as a gas pool for Morrow production is hereby created and designated as the West Anderson Ranch-Morrow Gas Pool (**Pool Code 97552**), consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM
Section 20: E/2

(b) A new pool in Lea County, New Mexico classified as a gas pool for Queen production is hereby created and designated as the Northeast Brunson-Queen Gas Pool (**Pool Code 97559**), consisting of the following described area:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 1: NW/4

(c) A new pool in Lea County, New Mexico classified as an oil pool for Bone Spring production is hereby created and designated as the East Corbin-Bone Spring Pool (**Pool Code 97568**), consisting of the following described area:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 35: SE/4

(d) A new pool in Lea County, New Mexico classified as a gas pool for Morrow production is hereby created and designated as the Langley-Morrow Gas Pool (**Pool Code 97579**), consisting of the following described area:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 10: W/2

(e) A new pool in Lea County, New Mexico classified as an oil pool for Yates production is hereby created and designated as the Southeast Lusk-Yates Pool (**Pool Code 97578**), consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 35: NE/4

(f) A new pool in Lea County, New Mexico classified as a gas pool for Atoka production is hereby created and designated as the West Mescalero-Atoka Gas Pool (**Pool Code 97570**), consisting of the following described area:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM
Section 17: S/2

(g) A new pool in Lea County, New Mexico classified as a gas pool for Atoka production is hereby created and designated as the Southwest Ranger Lake-Atoka Gas Pool (**Pool Code 97571**), consisting of the following described area:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM
Section 33: S/2

(h) A new pool in Lea County, New Mexico classified as a gas pool for Atoka production is hereby created and designated as the Rock Lake-Atoka Gas Pool (**Pool Code 97525**), consisting of the following described area:

TOWNSHIP 23 SOUTH, RANGE 35 EAST, NMPPM
Section 4: W/2

(i) A new pool in Lea County, New Mexico classified as an oil pool for Upper Pennsylvanian production is hereby created and designated as the Sand Springs-Upper Pennsylvanian Pool (**Pool Code 97556**), consisting of the following described area:

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPPM
Section 2: SE/4

(j) A new pool in Lea County, New Mexico classified as an oil pool for Strawn production is hereby created and designated as the Southeast Wilson-Strawn Pool (**Pool Code 97580**), consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 35 EAST, NMPPM
Section 20: NW/4

(k) The Southwest Anderson Ranch-Wolfcamp Pool (**Pool Code 96932**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPPM
Section 10: SE/4

(l) The Southwest Arrowhead-Grayburg Pool (**Pool Code 97518**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPPM
Section 15: W/2

(m) The Southwest Austin-Morrow Gas Pool (**Pool Code 96664**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 15 SOUTH, RANGE 36 EAST, NMPPM
Section 8: N/2

(n) The Southwest Austin-Upper Pennsylvanian Pool (**Pool Code 97319**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMMPM

Section 2: S/2
Section 10: N/2
Section 11: NW/4

(o) The Southwest Austin-Wolfcamp Pool (**Pool Code 3711**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMMPM

Section 10: N/2

(p) The East Bell Lake-Delaware Pool (**Pool Code 96322**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMMPM

Section 22: S/2
Section 27: NW/4

(q) The South Big Dog-Strawn Pool (**Pool Code 96690**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMMPM

Section 1: S/2

(r) The Bootleg Ridge-Morrow Gas Pool (**Pool Code 72650**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 33 EAST, NMMPM

Section 5: W/2
Section 8: NW/4

(s) The Casey-San Andres Pool (**Pool Code 96323**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMMPM

Section 35: NE/4

(t) The Caudill-Atoka Gas Pool (**Pool Code 96231**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 15 SOUTH, RANGE 36 EAST, NMMPM

Section 8: N/2
Section 9: NW/4

(u) The Eight Mile Draw-Abo Pool (**Pool Code 21450**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM

Section 25: NW/4

(v) The Northwest Eight Mile Draw-Morrow Gas Pool (**Pool Code 97190**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM

Section 29: E/2

(w) The Eunice-San Andres Pool (**Pool Code 24150**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Section 4: SE/4

(x) The EK-Bone Spring Pool (**Pool Code 21650**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

Section 31: W/2

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 6: NW/4

(y) The East Featherstone-Bone Spring Pool (**Pool Code 24270**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM

Section 13: NW/4

(z) The Gem-Bone Spring Pool (**Pool Code 27220**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM

Section 30: SE/4

(aa) The East Gem-Yates Pool (**Pool Code 27390**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM

Section 35: W/2

(bb) The North Hightower-Atoka Pool (**Pool Code 97431**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 12 SOUTH, RANGE 33 EAST, NMPM

Section 1: W/2
Section 12: NW/4

(cc) The House-Abo Pool (**Pool Code 33210**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 14: SW/4 and E/2

(dd) The Jenkins-Devonian Pool (**Pool Code 33930**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 9 SOUTH, RANGE 35 EAST, NMPM

Section 29: W/2

(ee) The Southeast Lane-Abo Pool (**Pool Code 36676**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM

Section 23: N/2

(ff) The West Leamex-Morrow Gas Pool (**Pool Code 97387**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM

Section 24: E/2

(gg) The North Leamex-Paddock Pool (**Pool Code 97549**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 3: N/2 and SW/4
Section 4: SE/4

(hh) The Southeast Livingston Ridge-Delaware Pool (**Pool Code 39380**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM

Section 29: W/2

(ii) The North Lusk-Bone Spring Pool (**Pool Code 41450**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM

Section 30: NW/4

Section 31: NW/4

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 5: S/2

(jj) The Lusk-Strawn Pool (**Pool Code 41589**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 8: N/2

(kk) The Maljamar-Grayburg-San Andres Pool (**Pool Code 43329**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 6: NE/4

(ll) The Penrose Skelly-Grayburg Pool (**Pool Code 50350**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Section 1: NW/4

(mm) The Reeves-Pennsylvanian Pool (**Pool Code 52060**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 24: NW/4

(nn) The South Saunders-Permo Upper Pennsylvanian Pool (**Pool Code 55100**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 15 SOUTH, RANGE 33 EAST, NMPM

Section 33: SW/4

(oo) The Tres Papalotes-Atoka Gas Pool (**Pool Code 96586**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM

Section 35: N/2

Section 36: N/2

(pp) The West Triste Draw-Delaware Pool (**Pool Code 59945**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM
Section 20: SW/4

(qq) The Northeast Vacuum-Blinebry Pool (**Pool Code 97021**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 22: E/2
Section 23: NW/4

(rr) The Vacuum-Grayburg-San Andres Pool (**Pool Code 62180**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 9: NW/4

(ss) The Vacuum-Morrow Gas Pool (**Pool Code 86840**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 25: E/2

(tt) The Vacuum-Wolfcamp Pool (**Pool Code 62340**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 26: NW/4

(uu) The East Warren-Tubb Pool (**Pool Code 87085**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 39 EAST, NMPM
Section 18: NE/4

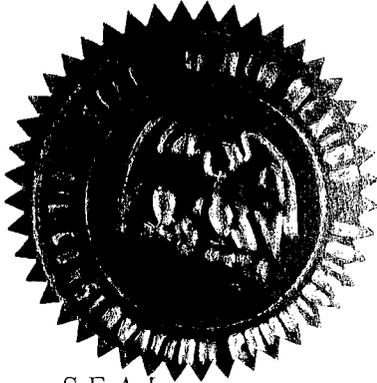
IT IS FURTHER ORDERED THAT:

(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 creations and extensions included herein shall be May 1, 2007.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire", written in a cursive style.

MARK E. FESMIRE, P.E.
Director