

**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. 14022
ORDER NO. R-_____**

**APPLICATION OF DAN A. HUGHES, COMPANY L.P. FOR APPROVAL OF A UNIT
AGREEMENT, HIDALGO COUNTY, NEW MEXICO.**

**DAN A. HUGHES COMPANY, L.P.'S PROPOSED
ORDER OF THE DIVISION**

BY THE DIVISION:

This case came on for hearing on November 1, 2007 at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this ___ day of November 2007, the Division Director, having considered 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, Dan A. Hughes Company, L.P., seeks approval of its Hueco South Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 82,622.60 acres, more or less, of state and fee lands in Hidalgo County, New Mexico:

Township 32 South, Range 16 West, N.M.P.M.

Section 5:	All
Section 7:	SE/4
Section 8:	E/2
Section 9:	All
Sections 14 through 17:	All
Section 18:	NE/4, N/2SE/4, SE/4 SE/4
Sections 19 through 22 :	All
Section 23:	All
Section 24:	W/2, W/2E/2
Sections 25 through 35;	All

Township 32 South, Range 17 West, N.M.P.M.

Section 21:	All
Section 24:	N/2N/2, S/2S/2
Sections 25 through 26:	All
Section 27:	S/2, S/2N/2
Section 28:	All
Sections 33 through 36	All

Township 33 South, Range 15 West, N.M.P.M.

Section 31:	W/2, NE/4, NE/4 SE/4
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Township 33 South, Range 16 West, N.M.P.M.

Sections 2 through 11:	All
Sections 14 through 23:	All
Sections 25 through 32:	All
Section 33:	S/2, NE/4, N/2 NW/4, SE/4 NW/4
Sections 34 through 36:	All

Township 33 South, Range 17 West, N.M.P.M.

Sections 1 through 4:	All
Sections 9 through 16:	All
Section 21:	NE/4, S/2
Sections 22 through 28:	All
Sections 33 through 36:	All

Township 34 South, Range 15 West, N.M.P.M.

Section 4:	All
Section 5:	E/2, NE/4NW/4, E/2SW/4, SW/4SW/4
Section 6 :	S/2, NW/4, W/2 NE/4, SE/4 NE/4
Section 7:	W/2, SE/4, E/2NE/4, SW/4NE/4
Section 8:	S/2 SW/4, NE/4 SW/4, W/2 SE/4, NE/4 SE/4
Section 9 :	SW/4 NE/4, SE/4 NW/4, NW/4 SW/4, S/2 SE/4
Section 10:	E/2, S/2SW/4
Section 11:	W/2, SW/4 SE/4
Section 12:	SW/4 SE/4, SE/4 SW/4
Section 13:	S/2, NE/4, NE/4NW/4
Section 14 :	NW/4NE/4, NE/4NW/4, SE/4NE/4, E/2SE/4
Section 15 :	SE/4 SE/4, NW/4 SE/4, N/2 SW/4, NW/4

Section 16:	All
Section 17 :	S/2, NW/4, S/2NE/4, NW/4NE/4
Section 18 :	NW/4, N/2 SW/4, SE/4 SW/4, N/2 NE/4, SE/4 NE/4
Section 19 :	Lot 2, SW/4NE/4, NE/4NW/4
Section 20 :	N/2NE/4
Section 21 :	NW/4NW /4
Section 23 :	N/2NE/4

Township 34 South, Range 16 West, N.M.P.M.

Sections 3 through 11:	All
Sections 14 through 24:	All

Township 34 South, Range 17 West, N.M.P.M.

Sections 1 through 4:	All
Sections 10 through 16:	All
Section 24:	All

(3) Applicant presented testimony that demonstrates that:

- (a) Sufficient working interest and royalty interest within the Unit area have been voluntarily committed to afford effective control of unit operations to the Unit Plan;
- (b) The unit covers an area that can be reasonable developed under a unit plan;
- (c) The primary target for this unit area is the Percha Shale formation, but all formations will be evaluated down to the base of the Percha Shale formation, and if the initial well is successful, additional wells will be drilled in the unit area;
- (d) The Commissioner of Public lands has given preliminary approval for the proposed Unit; and
- (e) the initial test well will be drilled to an approximate depth of 6600 feet at a standard well location 660 feet from the South and West lines of Section 26, Township 32 South, Range 17 West, NMPM, Hidalgo County, New Mexico.

(4) No interested party appeared or otherwise objected to the proposed unit agreement.

(5) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Hueco South Exploratory Unit Agreement is hereby approved for all oil and gas in all formations underlying the following-described 82,622.60 acres, more or less, of state and fee lands in Hidalgo County, New Mexico:

Township 32 South, Range 16 West, N.M.P.M.

Section 5:	All
Section 7:	SE/4
Section 8:	E/2
Section 9:	All
Sections 14 through 17:	All
Section 18:	NE/4, N/2SE/4, SE/4 SE/4
Section 19 and 22 :	All
Section 23:	All
Section 24:	W/2, W/2E/2
Sections 25 through 35;	All

Township 32 South, Range 17 West, N.M.P.M.

Section 21:	All
Section 24:	N/2N/2, S/2S/2
Section 25 and 26:	All
Section 27:	S/2, S/2N/2
Section 28:	All
Sections 33 through 36	All

Township 33 South, Range 15 West, N.M.P.M.

Section 31:	W/2, NE/4, NE/4 SE/4
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Township 33 South, Range 16 West, N.M.P.M.

Sections 2 through 11:	All
Section 14 through 23:	All
Sections 25 and 32:	All
Section 33:	S/2, NE/4, N/2 NW/4, SE/4 NW/4
Sections 34 through 36:	All

Township 33 South, Range 17 West, N.M.P.M.

Sections 1 through 4:	All
Sections 9 through 16:	All
Section 21:	NE/4, S/2

Sections 22 through 28: All
Sections 33 through 36: All

Township 34 South, Range 15 West, N.M.P.M.

Section 4: All
Section 5: E/2, NE/4NW/4, E/2SW/4, SW/4SW/4
Section 6 : S/2, NW/4, W/2 NE/4, SE/4 NE/4
Section 7: W/2, SE/4, E/2NE/4, SW/4NE/4
Section 8: S/2 SW/4, NE/4 SW/4, W/2 SE/4,
NE/4 SE/4
Section 9 : SW/4 NE/4, SE/4 NW/4, NW/4 SW/4, S/2
SE/4
Section 10: E/2, S/2SW/4
Section 11: W/2, SW/4 SE/4
Section 12: SW/4 SE/4, SE/4 SW/4
Section 13: S/2, NE/4, NE/4NW/4
Section 14 : NW/4NE/4, NE/4NW/4, SE/4NE/4, E/2SE/4
Section 15 : SE/4 SE/4, NW/4 SE/4, N/2 SW/4, NW/4
Section 16: All
Section 17 : S/2, NW/4, S/2NE/4, NW/4NE/4
Section 18 : NW/4, N/2 SW/4, SE/4 SW/4, N/2 NE/4,
SE/4 NE/4
Section 19 : Lot 2, SW/4NE/4, NE/4NW/4
Section 20 : N/2NE/4
Section 21 : NW/4NW /4
Section 23 : N/2NE/4

Township 34 South, Range 16 West, N.M.P.M.

Sections 3 through 11: All
Sections 14 through 24: All

Township 34 South, Range 17 West, N.M.P.M.

Sections 1 through 4: All
Sections 10 through 16: All
Section 24: All

(2) The plan contained in the Hueco South Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or

obligation that is now, or may hereinafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas there from.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this case 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

MARK E. FESMIRE, P. E.

Director

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