

**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. 14495
ORDER NO. R-13291**

**APPLICATION OF TORCH ENERGY SERVICES, INC.
FOR APPROVAL OF A UNIT AGREEMENT,
ROOSEVELT COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on June 24, 2010 at Santa Fe, New Mexico, before Examiner Richard Ezeanyim.

NOW, on this 29th day of June, 2010, 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, Torch Energy Services, Inc. ("Applicant"), seeks approval of its San Juan Mesa 4-30 Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Fusselman-Montoya underlying the following-described 9,160 acres, more or less, of State and private fee lands (the "Unit Area") in Roosevelt County, New Mexico:

Township 4 South, Range 30 East, N.M.P.M.

Section 1:	SE/4
Section 3:	S/2
Section 9:	All
Section 10:	All
Section 11:	NW/4, S/2 NE/4, SE/4, S/2 SW/4
Section 12:	N/2 N/2, S/2 NE/4, W/2 SW/4
Section 14:	N/2, S/2 SE/4

Section 15:	All
Section 16:	All
Section 17:	E/2
Section 20:	All
Section 21:	All
Section 22:	All
Section 23:	NW/4, W/2 NE/4, S/2
Section 26:	N/2
Section 27:	All
Section 28:	All
Section 29:	N/2, NE/4 SE/4, SW/4

(3) Applicant appeared at the hearing through counsel and presented evidence, by affidavit, that:

(a) All working interest owners in the Unit Area have committed their interests to the Unit Agreement.

(b) The Unit Area consists of 2,240 acres (24.454148% of the Unit Area) of State of New Mexico public lands and 6,920 acres (75.545852% of the Unit Area) of private fee lands. 100% of the private royalty interests are committed to the Unit Agreement.

(c) There are no overriding royalty interests in the Unit Area.

(d) The Commissioner of Public Lands has given preliminary approval for the proposed Unit.

(e) Sufficient working interests and royalty interests within the Unit area have been voluntarily committed to afford the unit operator effective control of unit operations pursuant to the Unit Plan;

(f) The primary target for the initial test well will be the Fusselman-Montoya formation; however, all formations will be evaluated down to the base of the Fusselman-Montoya, including but not limited to the Cisco and Strawn-Atoka formations.

(4) No other party appeared at the hearing or otherwise objected to the proposed unit agreement or to the application in this case.

(5) All of the acreage proposed for inclusion in the unit appears prospective for recovery of oil or gas from the target formation under the concept proposed by Applicant. These areas should be unitized and should equally share in the benefits from future oil and gas production.

(6) 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 proposed San Juan Mesa 4-30 Exploratory Unit Agreement is hereby approved for all oil and gas in all formations from the surface to the base of the Fusselman-Montoya formation underlying the following-described 9,160 acres, more or less, of State and private fee lands in Roosevelt County, New Mexico:

Township 4 South, Range 30 East, N.M.P.M.

Section 1:	SE/4
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Section 9:	All
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Section 14:	N/2, S/2 SE/4
Section 15:	All
Section 16:	All
Section 17:	E/2
Section 20:	All
Section 21:	All
Section 22:	All
Section 23:	NW/4, W/2 NE/4, S/2
Section 26:	N/2
Section 27:	All
Section 28:	All
Section 29:	N/2, NE/4 SE/4, SW/4

(2) The plan contained in the San Juan Mesa 4-30 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 hereafter be, vested in the Division to supervise and control operation of the Unit and production of oil and gas therefrom.

(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 and any applicable amendment, reflecting the subscription of those

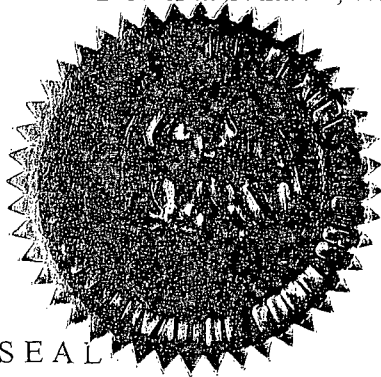
interests having joined or ratified.

(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 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.
Acting Director