

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. 11121
Order No. R-10234

THE APPLICATION OF THE OIL CONSERVATION
DIVISION UPON ITS OWN MOTION FOR AN
ORDER CREATING, CONTRACTING, AND EXTENDING
CERTAIN POOLS IN EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 13, 1994, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 7th day of November, 1994, 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) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Bone Spring formation, said pool to bear the designation of Esperanza-Bone Spring Pool. Said Esperanza-Bone Spring Pool was discovered by the Union Oil Company of California Wersell "A" Well No. 1 located in Unit C of Section 3, Township 22 South, Range 27 East, NMPM. It was completed in the Bone Spring formation on November 12, 1993. The top of the perforations is at 8,120 feet.

(3) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Atoka formation, said pool to bear the designation of South Happy Valley-Atoka Gas Pool. Said South Happy Valley-Atoka Gas Pool was discovered by the Lynx Petroleum Consultants, Inc. Lee K Federal Well No. 1 located

in Unit J of Section 21, Township 22 South, Range 26 East, NMPM. It was completed in the Atoka formation on July 22, 1994. The top of the perforations is at 10,574 feet.

(4) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Bone Spring formation, said pool to bear the designation of East Pierce Crossing-Bone Spring Pool. Said East Pierce Crossing-Bone Spring Pool was discovered by the Pogo Producing Company River Bend Federal Well No. 7 located in Unit E of Section 23, Township 24 South, Range 29 East, NMPM. It was completed in the Bone Spring formation on June 28, 1994. The top of the perforations is at 8,780 feet.

(5) There is need for the contraction of the Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, in order to extend the deleted acreage to the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(6) At the time of the hearing, this case was heard in conjunction with Division Case 11112, which was an application of Santa Fe Operating Partners, L.P. to contract the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool by deleting therefrom Section 14, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, and the concomitant expansion of the boundaries of the South Dagger Draw-Upper Pennsylvanian Associated Pool by adding said acreage.

(7) There is need for certain extensions to the West Burton Flat-Strawn Gas Pool, the East Cedar Lake-Morrow Gas Pool, the South Dagger Draw-Upper Pennsylvanian Associated Pool, the Eagle Creek-Permo Pennsylvanian Gas Pool, the Eagle Creek-Strawn Gas Pool, the Indian Loafer Draw-Upper Pennsylvanian Gas Pool, the Ingle Wells-Delaware Pool, and the Winchester-Bone Spring Pool, all in Eddy County, New Mexico.

(8) The effective date for this order should be November 1, 1994.

IT IS THEREFORE ORDERED THAT:

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

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 3: NW/4

(b) A new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production is hereby created and designated as the South Happy Valley-Atoka Gas Pool,

consisting of the following described area:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM
Section 21: E/2

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

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM
Section 23: NW/4

(d) The Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby contracted by the deletion of the following described area:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM
Section 11: All

(e) The South Dagger Draw-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM
Sections 1, 2, 11 and 12: All

(f) The West Burton Flat-Strawn Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 11: N/2

(g) The East Cedar Lake-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Section 32; E/2

(h) The Eagle Creek-Permo Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 2: E/2

(i) The Eagle Creek-Strawn Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 25 EAST, NMPM
Section 34: SE/4

(j) The Indian Loafer Draw-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 21 EAST, NMPM
Section 1: W/2
Section 12: NW/4

(k) The Ingle Wells-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM
Section 3: NW/4

(l) The Winchester-Bone Spring Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 36: N/2

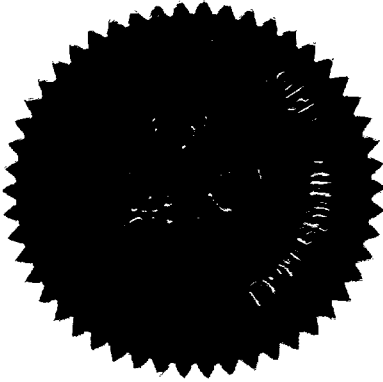
IT IS FURTHER ORDERED THAT:

(1) Pursuant to Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, any well which, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one which is presently dedicated thereto, shall have 60 days from the effective date of this order in which to file new Forms C-102 dedicating a standard unit for the pool to said 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 said 60-day period shall subject the well to cancellation of allowable.

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(2) The effective date of this order and all creations, contractions, and extensions included herein shall be November 1, 1994.

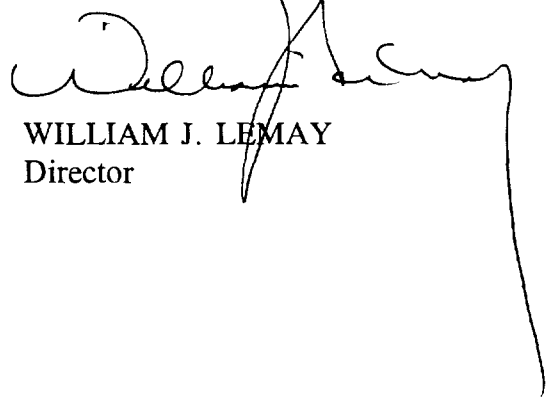
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



S E A L

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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director