

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. 12783
Order No. R-11706

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 December 20, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 9th day of January, 2002, 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 Chaves County, New Mexico for the production of gas from the Permo Pennsylvanian formation, bearing the designation of Coyote Draw-Permo Pennsylvanian Gas Pool. The Coyote Draw-Permo Pennsylvanian Gas Pool was discovered by the Yates Petroleum Corporation Binnion "TT" Federal Well No. 7 located in Unit A of Section 24, Township 7 South, Range 25 East, NMPM, which was completed in the Wolfcamp and Cisco formations on July 18, 2001. The top of the perforations is at 4,690 feet.

(3) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Morrow formation, bearing the designation of Southwest Henshaw-Morrow Gas Pool. The Southwest Henshaw-Morrow Gas Pool was discovered by the Chi Operating Company Aspen Federal Com. Well No. 1 located in Unit C of Section 31, Township 16 South, Range 30 East, NMPM, which

was completed in the Morrow formation on September 29, 2001. The top of the perforations is at 10,730 feet.

(4) There is need for the creation of a new pool in Eddy County, New Mexico for the production of oil from the Delaware formation, bearing the designation of Southwest Nash Draw-Delaware Pool. The Southwest Nash Draw-Delaware Pool was discovered by the KUKUI Operating Company Goodnight "35" Federal Well No. 1 located in Unit N of Section 35, Township 23 South, Range 29 East, NMPM, which was completed in the Delaware formation on September 6, 2001. The top of the perforations is at 6,580 feet.

(5) There is need for certain extensions to the Antelope Sink-Morrow Gas Pool, the Avalon-Morrow Gas Pool, the Brushy Draw-Wolfcamp Gas Pool, the Burton Flat-Strawn Gas Pool, the Cedar Lake-Yeso Pool, the Chosa Draw-Morrow Gas Pool, the Crow Flats-Morrow Gas Pool, the Empire-Pennsylvanian Gas Pool, the Indian Loafer Draw-Upper Pennsylvanian Gas Pool, the Loco Hills-Abo Pool, the Lost Tank-Delaware Pool, and the West Lusk-Morrow Gas Pool, all in Eddy County, New Mexico; and the North Foor Ranch-Pre-Permian Gas Pool in Chaves County, New Mexico.

(6) The effective date of this order and all creations and extensions included herein should be January 1, 2002.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Chaves County, New Mexico classified as a gas pool for Permo Pennsylvanian production is hereby created and designated as the Coyote Draw-Permo Pennsylvanian Gas Pool, consisting of the following described area:

TOWNSHIP 7 SOUTH, RANGE 25 EAST, NMPM
Section 24: N/2

(b) A new pool in Eddy County, New Mexico classified as a gas pool for Morrow production is hereby created and designated as the Southwest Henshaw-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM
Section 31: W/2

(c) A new pool in Eddy County, New Mexico classified as an oil pool for Delaware production is hereby created and designated as the Southwest Nash Draw-Delaware Pool, consisting of the following described area:

TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM
Section 35: SW/4

(d) The Antelope Sink-Morrow Gas Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM
Section 32: SW/4

(e) The Avalon-Morrow Gas Pool in Eddy County, New Mexico is hereby extended to include:

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

(f) The Brushy Draw-Wolfcamp Gas Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 26 SOUTH, RANGE 29 EAST, NMPM
Section 24: SW/4
Section 25: W/2

(g) The Burton Flat-Strawn Gas Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 4: S/2
Section 5: S/2

(h) The Cedar Lake-Yeso Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 13: SE/4

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

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM
Section 8: SW/4

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

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 20: E/2
Section 21: All

(k) The Empire-Pennsylvanian Gas Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 17: E/2

(l) The North Foor Ranch-Pre-Permian Gas Pool in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 8 SOUTH, RANGE 26 EAST, NMPM
Section 10: S/2

(m) The Indian Loafer Draw-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 21 EAST, NMPM
Section 34: W/2

(n) The Loco Hills-Abo Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 20: SW/4

(o) The Lost Tank-Delaware Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 31 EAST, NMPM
Section 35: NW/4

(p) The West Lusk-Morrow Gas Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM
Section 8: E/2

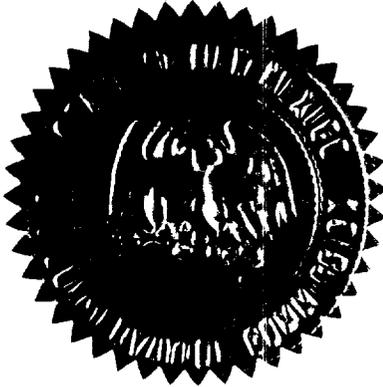
IT IS FURTHER ORDERED THAT:

(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 January 1, 2002.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrottenbery
LORI WROTENBERY
Director