

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. 12793
Order No. R-11728

APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING,
CONTRACTING VERTICAL LIMITS, AND
EXTENDING HORIZONTAL LIMITS OF
CERTAIN POOLS IN CHAVES AND LEA
COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 7, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 20th day of February, 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 Lea County, New Mexico, for the production of gas from the Strawn formation, bearing the designation of Corbin-Strawn Gas Pool. The Corbin-Strawn Gas Pool was discovered by the EOG Resources Inc. Corbin 18 Federal Com. Well No. 2 located in Unit O of Section 18, Township 18 South, Range 33 East, NMPM, which was completed in the Strawn formation on April 17, 2001. The top of the perforations is at 12,212 feet.

(3) There is need for the creation of a new pool in Lea County, New Mexico, for the production of oil from the Delaware formation, bearing the designation of North Diamondtail-Delaware Pool. The North Diamondtail-Delaware Pool was discovered by the Pogo Producing Company Aracanga Federal Well No. 1

located in Unit O of Section 4, Township 23 South, Range 32 East, NMPM, which was completed in the Delaware formation on August 17, 2000. The top of the perforations is at 8,596 feet.

(4) There is need for the creation of a new pool in Lea County, New Mexico, for the production of gas from the Mississippian formation, bearing the designation of Eight Mile Draw-Mississippian Gas Pool. The Eight Mile Draw-Mississippian Gas Pool was discovered by the Yates Petroleum Corporation Comet AUC State Well No. 1 located in Unit O of Section 23, Township 11 South, Range 34 East, NMPM, which was completed in the Mississippian formation on March 30, 2001. The top of the perforations is at 12,152 feet.

(5) There is need for the creation of a new pool in Lea County, New Mexico, for the production of oil from the Wolfcamp formation, bearing the designation of North Feather-Wolfcamp Pool. The North Feather-Wolfcamp Pool was discovered by the Yates Petroleum Corporation Wings AUT State Well No. 1 located in Unit M of Section 17, Township 15 South, Range 32 East, NMPM, which was completed in the Wolfcamp formation on July 20, 2001. The top of the perforations is at 9,808 feet.

(6) 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 Four Lakes-Morrow Gas Pool. The Four Lakes-Morrow Gas Pool was discovered by the Yates Petroleum Corporation Indigo State Unit Well No. 1 located in Unit A of Section 7, Township 12 South, Range 35 East, NMPM, which was completed in the Morrow formation on December 15, 2000. The top of the perforations is at 12,368 feet.

(7) 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 North Morton-Morrow Gas Pool. The North Morton-Morrow Gas Pool was discovered by the Yates Petroleum Corporation North Papalotes State Unit Well No. 1 located in Unit A of Section 3, Township 14 South, Range 34 East, NMPM, which was completed in the Morrow formation on June 19, 2001. The top of the perforations is at 13,476 feet.

(8) There is need for the creation of a new pool in Lea County, New Mexico, for the production of gas from the Mississippian formation, bearing the designation of Sand Springs-Mississippian Gas Pool. The Sand Springs-Mississippian Gas Pool was discovered by the Yates Petroleum Corporation East Sand Springs Unit Well No. 3 located in Unit N of Section 6, Township 11 South, Range 35 East, NMPM, which was completed in the Mississippian formation on April 2, 2001. The top of the perforations is at 12,370 feet.

(9) There is need for the creation of a new pool in Chaves County, New Mexico, for the production of gas from the Atoka-Morrow formation, bearing the

designation of East Tobac-Atoka-Morrow Gas Pool. The East Tobac-Atoka-Morrow Gas Pool was discovered by the Yates Petroleum Corporation Tres Canal State Unit Well No. 1 located in Unit K of Section 26, Township 8 South, Range 33 East, NMPM, which was completed in the Atoka-Morrow formation on March 7, 2001. The top of the perforations is at 10,516 feet.

(10) 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 Townsend-Atoka Gas Pool. The Townsend-Atoka Gas Pool was discovered by the Nadel & Gussman Permian LLC. E. L. Harrod Well No. 1 located in Unit K of Section 5, Township 16 South, Range 35 East, NMPM, which was completed in the Atoka formation on July 27, 2001. The top of the perforations is at 12,586 feet.

(11) 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 Wilson-Atoka Gas Pool. The Wilson-Atoka Gas Pool was discovered by the Maynard Oil Company Wilson Deep Unit Well No. 2-Y located in Unit D of Section 13, Township 21 South, Range 34 East, NMPM, which was completed in the Atoka formation on September 19, 2001. The top of the perforations is at 12,090 feet.

(12) 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 X-4 Ranch-Morrow Gas Pool. The X-4 Ranch-Morrow Gas Pool was discovered by the Yates Petroleum Corporation Hytech AUM State Well No. 1 located in Unit M of Section 2, Township 10 South, Range 34 East, NMPM, which was completed in the Morrow formation on February 20, 2001. The top of the perforations is at 11,706 feet.

(13) There is need for the contraction of the vertical limits of the North Morton-Permo Pennsylvanian Pool in Lea County, New Mexico, to include only the Wolfcamp, Cisco, Canyon and Strawn formations and the redesignation of the pool as the North Morton-Permo Upper Pennsylvanian Pool.

(14) There is need for the contraction of the vertical limits of the Tobac-Pennsylvanian Pool in Chaves County, New Mexico, to include only the Cisco, Canyon and Strawn formations and the redesignation of the pool as the Tobac-Upper Pennsylvanian Pool.

(15) There is need for certain extensions to the Antelope Ridge-Atoka Gas Pool, the South Antelope Ridge-Cherry Canyon Pool, the South Big Dog-Strawn Pool, the Blinebry Oil and Gas Pool, the Bootleg Ridge-Morrow Gas Pool, the North Eidson-Morrow Gas Pool, the Southwest Eunice-San Andres Pool, the East Fowler-Ellenburger Pool, the North Hardy-Strawn Pool, the North Hardy-Tubb-Drinkard Pool, the Kemnitz-Cisco Pool, the Kemnitz-Lower Wolfcamp Pool, the Northeast Lovington-Upper Pennsylvanian Pool, the North Lovington-Wolfcamp Pool, the East Lusk-Morrow Gas Pool, the North Lusk-Morrow Gas Pool, the Nadine-Drinkard-Abo

Pool, the West Osudo-Morrow Gas Pool, the Penrose Skelly-Grayburg Pool, the South Quail Ridge-Yates Pool, the Querecho Plains-Queen Associated Pool, the Shoe Bar-Atoka Gas Pool, the North Shoe Bar-Atoka Gas Pool, the South Shoe Bar-Morrow Gas Pool, the North Shoe Bar-Strawn Pool, the Teas-Bone Spring Pool, the Teas-Delaware Pool, the North Townsend-Mississippian Gas Pool, the Townsend-Morrow Gas Pool, the Trinity-Wolfcamp Pool, the North Vacuum-Atoka-Morrow Gas Pool, the Vacuum-Blinebry Pool, the Wantz-Abo Pool, the Weir-Blinebry Pool, the Wilson-Morrow Gas Pool, the South Wilson-Pennsylvanian Gas Pool, and the North Young-Bone Spring Pool, all in Lea County, New Mexico; and the West Cato-San Andres Gas Pool in Chaves County, New Mexico.

IT IS THEREFORE ORDERED THAT:

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

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 18: S/2

(b) A new pool in Lea County, New Mexico classified as an oil pool for Delaware production is hereby created and designated as the North Diamondtail-Delaware Pool, consisting of the following described area:

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

(c) A new pool in Lea County, New Mexico classified as a gas pool for Mississippian production is hereby created and designated as the Eight Mile Draw-Mississippian Gas Pool, consisting of the following described area:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM
Section 23: S/2

(d) A new pool in Lea County, New Mexico classified as an oil pool for Wolfcamp production is hereby created and designated as the North Feather-Wolfcamp Pool, consisting of the following described area:

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM
Section 17: SW/4

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

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM
Section 7: E/2

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

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM
Section 36: N/2

(g) A new pool in Lea County, New Mexico classified as a gas pool for Mississippian production is hereby created and designated as the Sand Springs-Mississippian Gas Pool, consisting of the following described area:

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM
Section 6: E/2 SW/4 and Lots, 3, 4, 5 and 6

(h) A new pool in Chaves County, New Mexico classified as a gas pool for Atoka-Morrow production is hereby created and designated as the East Tobac-Atoka-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 8 SOUTH, RANGE 33 EAST, NMPM
Section 26: W/2

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

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 5: SW/4 and Lots 11, 12, 13 and 14

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

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 13: W/2

(k) A new pool in Lea County, New Mexico classified as a gas pool for Morrow production is hereby created and designated as the X-4 Ranch-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM
Section 2: S/2

(l) The Antelope Ridge-Atoka Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 21: N/2 SE/4

(m) The South Antelope Ridge-Cherry Canyon Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 22: NE/4

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

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 2: SW/4
Section 11: NW/4

(o) The Blinebry Oil and Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 14: NW/4

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

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM
Section 24: S/2

(q) The West Cato-San Andres Gas Pool in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 8 SOUTH, RANGE 30 EAST, NMPM
Section 5: SW/4

(r) The North Eidson-Morrow Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM
Section 24: E/2
Section 25: N/2

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM
Section 19: W/2

(s) The Southwest Eunice-San Andres Pool in Lea County, New Mexico is hereby extended to include:

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

(t) The East Fowler-Ellenburger Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 38 EAST, NMPM
Section 7: SE/4

(u) The North Hardy-Strawn Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 19: SW/4

(v) The North Hardy-Tubb-Drinkard Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 26: SE/4

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 30: SE/4

(w) The Kemnitz-Cisco Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 8: NW/4

(x) The Kemnitz-Lower Wolfcamp Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 9: SW/4

(y) The Northeast Lovington-Upper Pennsylvanian Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 9: NW/4

(z) The North Lovington-Wolfcamp Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM
Section 14: NW/4

(aa) The East Lusk-Morrow Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 22: N/2
Section 23: N/2

(bb) The North Lusk-Morrow Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 21: W/2 and SE/4

(cc) The vertical limits of the North Morton-Permo Pennsylvanian Pool in Lea County, New Mexico are hereby contracted to include only the Wolfcamp, Cisco, Canyon and Strawn formations and the pool is redesignated as the North Morton-Permo Upper Pennsylvanian Pool.

(dd) The Nadine-Drinkard-Abo Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM
Section 24: NE/4

(ee) The West Osudo-Morrow Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM
Section 35: SW/4

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

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 10: NE/4
Section 11: NW/4

(gg) The South Quail Ridge-Yates Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 28: NE/4

(hh) The Querecho Plains-Queen Associated Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 26: NE/4

(ii) The Shoe Bar-Atoka Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 4: N/2

(jj) The North Shoe Bar-Atoka Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 10: NW/4
Section 14: W/2

(kk) The South Shoe Bar-Morrow Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 33: E/2
Section 34: SW/4

(ll) The North Shoe Bar-Strawn Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 14: SE/4

(mm) The Teas-Bone Spring Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM
Section 3: NE/4

(nn) The Teas-Delaware Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM
Section 3: N/2

(oo) The vertical limits of the Tobac-Pennsylvanian Pool in Chaves County, New Mexico are hereby contracted to include only the Cisco, Canyon and Strawn formations and the pool is redesignated as the Tobac-Upper Pennsylvanian Pool.

(pp) The North Townsend-Mississippian Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 24: W/2

(qq) The Townsend-Morrow Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 15: W/2
Section 22: W/2

(rr) The Trinity-Wolfcamp Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 12 SOUTH, RANGE 38 EAST, NMPM
Section 22: SE/4
Section 27: N/2 and SW/4

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

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 5: S/2
Section 6: All

(tt) The Vacuum-Blinbry Pool in Lea County, New Mexico is hereby extended to include:

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

(uu) The Wantz-Abo Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 7: SE/4

(vv) The Weir-Blinebry Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 3: E/2

(ww) The Wilson-Morrow Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 2: S/2
Section 24: N/2

(xx) The South Wilson-Pennsylvanian Gas Pool in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 23: NE/4

(yy) The North Young-Bone Spring Pool in Lea County, New Mexico is hereby extended to include:

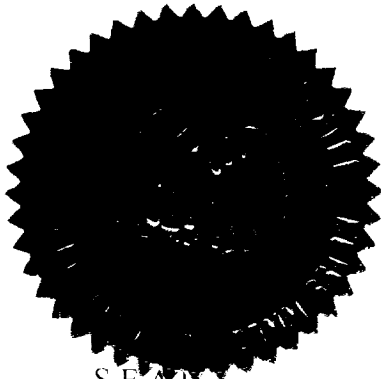
TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 6: SE/4

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, contractions of vertical limits, and extensions of horizontal limits included herein shall be March 1, 2002.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director