

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. 13001
Order No. R-11895

THE APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING, ABOLISHING,
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 January 23, 2003, at Santa Fe, New Mexico, before examiner Michael E. Stogner.

NOW, on this 6th day of February, 2003, 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 Eddy County, New Mexico for the production of oil from the Seven Rivers formation, bearing the designation of Clayton Basin-Seven Rivers Pool (**Pool Code 97238**). The Clayton Basin-Seven Rivers Pool was discovered by the Shackleford Oil Company Eddy "IK" State Well No. 1 (**API No. 30-015-26125**) located in Unit G of Section 2, Township 20 South, Range 29 East, NMPM. which was completed in the Seven Rivers formation on May 10, 2002. The top of the perforations is at 1,526 feet.

(3) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Wolfcamp formation, bearing the designation of Diamond Mound-Wolfcamp Gas Pool (**Pool Code 97243**). The Diamond Mound-Wolfcamp Gas Pool was discovered by the Ocean Energy, Inc. Sink Federal Well No. 2 (**API No. 30-015-23688**) located in Unit N of Section 9,

Township 16 South, Range 27 East, NMPM, which was completed in the Wolfcamp formation on August 30, 2002. The top of the perforations is at 6,516 feet.

(4) There is need for the creation of a new pool in Chaves County, New Mexico for the production of gas from the Pennsylvanian formation, bearing the designation of Five Mile Draw-Pennsylvanian Gas Pool (**Pool Code 97129**). The Five Mile Draw-Pennsylvanian Gas Pool was discovered by the Yates Petroleum Corporation Conejo "RH" State Well No. 5 (**API No. 30-005-63233**) located in Unit F of Section 2, Township 7 South, Range 25 East, NMPM, which was completed in the Pennsylvanian formation on July 12, 2000. The top of the perforations is at 4,944 feet.

(5) There is need for the creation of a new pool in Eddy County, New Mexico for the production of oil from the Wolfcamp formation, bearing the designation of East Loco Hills-Wolfcamp Pool (**Pool Code 97240**). The East Loco Hills-Wolfcamp Pool was discovered by the OXY USA Limited Partnership OXY Chocolate Cookies Federal Well No. 2 (**API No. 30-015-32145**) located in Unit C of Section 25, Township 18 South, Range 29 East, NMPM, which was completed in the Wolfcamp formation on August 2, 2002. The top of the perforations is at 9,494 feet.

(6) 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 Palmillo Draw-Delaware Pool (**Pool Code 97245**). The Palmillo Draw-Delaware Pool was discovered by the Chi Operating, Inc. Remington Federal Well No. 3 (**API No. 30-015-27967**) located in Unit N of Section 3, Township 20 South, Range 28 East, NMPM, which was completed in the Delaware formation on April 28, 2002. The top of the perforations is at 3,570 feet.

(7) There is need for the creation of a new pool in Chaves County, New Mexico for the production of gas from the Morrow formation, bearing the designation of Windmill-Morrow Gas Pool (**Pool Code 97234**). The Windmill-Morrow Gas Pool was discovered by the Dominion Oklahoma Texas Exploration and Production, Inc. Stardust "3" Federal Well No. 1 (**API No. 30-005-63443**) located in Unit I of Section 3, Township 15 South, Range 28 East, NMPM, which was completed in the Morrow formation on June 20, 2002. The top of the perforations is at 9,099 feet.

(8) There is need for the abolishment of the Clayton Basin-Seven Rivers Pool (**Pool Code 97299**) in Eddy County, New Mexico in order to correct nomenclature.

(9) There is need for extensions to the Angell Ranch-Atoka-Morrow Gas Pool, the Avalon-Strawn Gas Pool, the Bunting Ranch-Atoka Gas Pool, the Burton Flat-Atoka Gas Pool, the Burton Flat-Morrow Gas Pool, the East Carlsbad-Morrow Gas Pool, the North Cedar Lake-Morrow Gas Pool, the Cedar Lake-Yeso Pool, the South Empire-Morrow Gas Pool, the Empire-Wolfcamp Pool, the North Hackberry-Morrow Gas Pool, the Hart Draw-Atoka Gas Pool, the North Indian Basin-Strawn

Gas Pool, the Parkway-Bone Spring Pool, the Penasco Draw-Morrow Gas Pool, the Red Lake-Glorieta-Yeso Pool, and the Saladar-Strawn Gas Pool, all in Eddy County, New Mexico; and the Foor Ranch-Pre-Permian Gas Pool, the North Foor Ranch-Pre-Permian Gas Pool, and the North Pecos Slope-Abo Gas Pool, all in Chaves County, New Mexico.

(10) The effective date of this order and all creations, abolishments, and extensions included herein should be February 1, 2003.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Eddy County, New Mexico classified as an oil pool for Seven Rivers production is hereby created and designated as the Clayton Basin-Seven Rivers Pool (**Pool Code 97238**), consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 2: NE/4

(b) A new pool in Eddy County, New Mexico classified as a gas pool for Wolfcamp production is hereby created and designated as the Diamond Mound-Wolfcamp Gas Pool (**Pool Code 97243**), consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM
Section 9: S/2

(c) A new pool in Chaves County, New Mexico classified as a gas pool for Pennsylvanian production is hereby created and designated as the Five Mile Draw-Pennsylvanian Gas Pool (**Pool Code 97129**), consisting of the following described area:

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

(d) A new pool in Eddy County, New Mexico classified as an oil pool for Wolfcamp production is hereby created and designated as the East Loco Hills-Wolfcamp Pool (**Pool Code 97240**), consisting of the following described area:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 25: NW/4

(e) A new pool in Eddy County, New Mexico classified as an oil pool for Delaware production is hereby created and designated as the Palmillo Draw-Delaware Pool (**Pool Code 97245**), consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 3: SW/4

(f) A new pool in Chaves County, New Mexico classified as a gas pool for Morrow production is hereby created and designated as the Windmill-Morrow Gas Pool (**Pool Code 97234**), consisting of the following described area:

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM
Section 3: E/2

(g) The Clayton Basin-Seven Rivers Pool (**Pool Code 97299**) in Eddy County, New Mexico, consisting of the following described area, is hereby abolished:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 2: NE/4

(h) The Angell Ranch-Atoka-Morrow Gas Pool (**Pool Code 70310**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 23: S/2

(i) The Avalon-Strawn Gas Pool (**Pool Code 71080**) in Eddy County, New Mexico is hereby extended to include:

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

(j) The Bunting Ranch-Atoka Gas Pool (**Pool Code 73095**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 21 EAST, NMPM
Section 25: E/2

(k) The Burton Flat-Atoka Gas Pool (**Pool Code 73160**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 2: Los 1 through 8

(l) The Burton Flat-Morrow Gas Pool (**Pool Code 73280**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 35: E/2

(m) The East Carlsbad-Morrow Gas Pool (**Pool Code 73920**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 25: W/2

(n) The North Cedar Lake-Morrow Gas Pool (**Pool Code 74600**) in Eddy County, New Mexico is hereby extended to include:

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

(o) The Cedar Lake-Yesc Pool (**Pool Code 96831**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 24: NE/4

(p) The South Empire-Morrow Gas Pool (**Pool Code 76400**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 1: S/2

(q) The Empire-Wolfcamp Pool (**Pool Code 22420**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 24: SE/4

(r) The Foor Ranch-Pre-Permian Gas Pool (**Pool Code 76730**) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM
Section 5: All
Section 6: N/2

(s) The North Foor Ranch-Pre-Permian Gas Pool (**Pool Code 97094**) in Chaves County, New Mexico is hereby extended to include:

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

(t) The North Hackberry-Morrow Gas Pool (**Pool Code 96785**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Section 25: S/2

Section 26: W/2 and SE/4

(u) The Hart Draw-Atoka Gas Pool (**Pool Code 78220**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM

Section 29: W/2

Section 30: S/2

(v) The North Indian Basin-Strawn Gas Pool (**Pool Code 97013**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM

Section 31: S/2

Section 32: SW/4

(w) The Parkway-Bone Spring Pool (**Pool Code 49622**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Section 28: E/2

Section 33: NE/4

(x) The North Pecos Slope-Abo Gas Pool (**Pool Code 82733**) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 4 SOUTH, RANGE 22 EAST, NMPM

Section 32: SW/4

(y) The Penasco Draw-Morrow Gas Pool (**Pool Code 82770**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM

Section 21: S/2

(z) The Red Lake-Glorieta-Yeso Pool (**Pool Code 51120**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM

Section 17: NE/4

(aa) The Saladar-Strawn Gas Pool (**Pool Code 84412**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 20: E/2

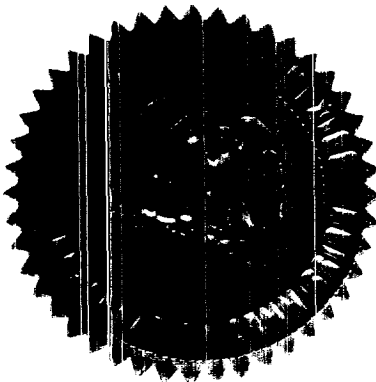
Section 27: W/2

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, abolishments, and extensions included herein shall be February 1, 2003.

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