

Exhibit 2 to the Commission
ALP

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2240
Order No. R-1972

APPLICATION OF FAIR OIL COMPANY
FOR PERMISSION TO INSTITUTE A
WATERFLOOD PROJECT IN THE LOCO
HILLS POOL, EDDY COUNTY, NEW
MEXICO, AND FOR SPECIAL ALLOW-
ABLES IN CONNECTION THEREWITH.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 5, 1961, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 11th day of May, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Fair Oil Company, is the owner and operator of State Lease B-2023, comprising in pertinent part the S/2 NE/4 and the N/2 SE/4 of Section 36, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico.

(3) That said lease is a direct offset to certain leases in the Loco Hills Pool upon which Newmont Oil Corporation is presently conducting waterflood operations.

(4) That in the interest of increasing ultimate recovery and of producing oil which otherwise might not be recovered, applicant proposes to cooperate with Newmont Oil Corporation, General American Oil Company of Texas, and Ambassador Oil Corporation in the drilling and equipping of three wells for water injection at unorthodox locations directly offsetting its property.

(5) That inasmuch as applicant's two producing wells, its State "A" No. 1 located in the NE/4 SE/4 of said Section 36, and its State "A" No. 3 located in the NW/4 SE/4 of said Section 36, both directly offset wells within either "capacity allowable" type floods or within a high capacity buffer zone, applicant's request for special allowable for the said two producing wells should be granted.

(6) That the S/2 N/2 SE/4 of said Section 36 should be designated as a buffer zone.

(7) That all producing wells located outside the above-described buffer zone should be operated and produced in accordance with the allowable provisions of Rule 701 of the Commission's Rules and Regulations, the project area being limited to that portion of the subject lease which is not included in the buffer zone.

(8) That production from wells outside the buffer zone should be tanked separately from production from wells inside the buffer zone, unless the applicant receives approval from the Commission for some other satisfactory means of determining production from each of the two areas.

IT IS THEREFORE ORDERED:

(1) That the applicant, Fair Oil Company, is hereby authorized to cooperate with Newmont Oil Corporation, General American Oil Company of Texas, and Ambassador Oil Corporation in the drilling and equipping of three wells for water injection at unorthodox locations directly offsetting its property.

(2) That the S/2 N/2 SE/4 of Section 36, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico, is hereby designated as a buffer zone.

(3) That special capacity allowables are hereby granted for applicant's State "A" Well No. 1 located in the NE/4 SE/4 of said Section 36 and for its State "A" Well No. 3 located in the NW/4 SE/4 of said Section 36.

(4) That all producing wells located outside the above-described buffer zone shall be operated and produced in accordance with the allowable provisions of Rule 701 of the Commission's Rules and Regulations, the project area being limited to that portion of the subject lease which is not included in the buffer zone.

(5) That production from wells outside the buffer zone shall be tanked separately from production from wells inside

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the buffer zone, unless the applicant receives approval from the Commission for some other satisfactory means of determining production from each of the two areas.

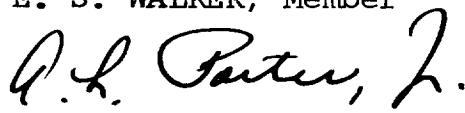
(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



EDWIN L. MECHEM, Chairman


E. S. WALKER, Member
A. L. PORTER, Jr., Member & Secretary

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