

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. 9380
Order No. R-8681

APPLICATION OF MCKAY OIL CORPORATION
FOR A UNIT AGREEMENT, CHAVES COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 25, 1988 and on June 22, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 1st day of July, 1988, 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) The applicant, McKay Oil Corporation, seeks approval of the West Fork Unit Agreement for all oil and gas in any and all formations underlying 20,775.02 acres, more or less, of State, Federal and Fee lands in Chaves County, New Mexico, as further described in Exhibit "A" attached hereto and made a part hereof.

(3) All plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

(4) Approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The West Fork Unit Agreement is hereby approved for all oil and gas in any and all formations underlying those lands described in Exhibit "A" attached hereto and made a part hereof.

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

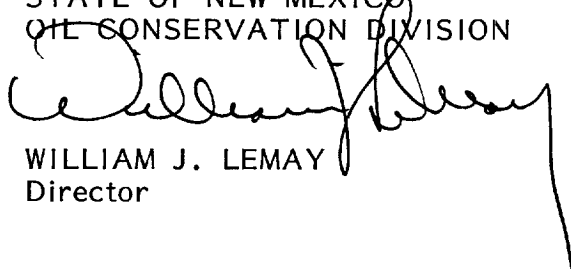
(4) All plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) This order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the appropriate agency of the United States Department of the Interior; this order shall terminate ipso facto upon the termination of said unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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EXHIBIT "A"
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WEST FORK UNIT AREA

TOWNSHIP 4 SOUTH, RANGE 21 EAST, NMPM

Section 12: SE/4
Section 13: All
Sections 24 and 25: All
Section 36: All

TOWNSHIP 4 SOUTH, RANGE 22 EAST, NMPM

Section 4: All
Section 5: NE/4 and S/2
Sections 7 through 9: All
Sections 16 through 21: All
Sections 28 through 33: All

TOWNSHIP 5 SOUTH, RANGE 21 EAST, NMPM

Section 1: All
Section 11: E/2
Sections 12 and 13: All
Section 14: E/2
Section 23: E/2
Section 24: All
Section 25: N/2

TOWNSHIP 5 SOUTH, RANGE 22 EAST, NMPM

Section 4: NW/4
Section 5: N/2
Sections 6 and 7: All
Sections 18 and 19: All
Section 30: W/2 and SE/4

Containing 20,775.02 acres, more or less,
of State, Federal and Fee lands in Chaves
County, New Mexico.