

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. 13829
Order No. R-12678

THE APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING, CONTRACTING
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 November 30, 2006, at Santa Fe, New Mexico before Examiner Richard I. Ezeanyim.

NOW, on this 5th day of December, 2006, 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 Severn Rivers, Queen, Grayburg, San Andres, Glorieta and Yeso (Paddock) formations, bearing the designation of Grayburg Jackson-Seven Rivers-Queen-Grayburg-San Andres-Glorieta-Yeso (Paddock) Pool (**Pool Code 97558**). The Grayburg Jackson-Seven Rivers-Queen-Grayburg-San Andres-Glorieta-Yeso (Paddock) Pool is being created in order to correct nomenclature and will be comprised of deleted acreage from the Grayburg Jackson-Seven Rivers-Queen-Grayburg-San Andres Pool (**Pool Code 28509**).

(3) There is need for the contraction of the Grayburg Jackson-Seven Rivers-Queen-Grayburg-San Andres Pool (**Pool Code 28509**) in Eddy County, New Mexico in order to correct nomenclature. The deleted acreage will be placed in the Grayburg

Jackson-Seven Rivers-Queen-Grayburg-San Andres-Glorieta-Yeso (Paddock) Pool (**Pool Code 97558**).

(4) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Atoka formation, bearing the designation of West Penasco Draw-Atoka Gas Pool (**Pool Code 97562**). The West Penasco Draw-Atoka Gas Pool was discovered by the Murchison Oil & Gas, Inc. Rio State Well No. 4 (**API No. 30-015-34653**) located in Unit A of Section 36, Township 18 South, Range 24 East, NMPM, which was completed in the Atoka formation on September 17, 2006. The top of the perforations is at 8,439 feet.

(5) 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 Six Mile Draw-Pennsylvanian Gas Pool (**Pool Code 97561**). The Six Mile Draw-Pennsylvanian Gas Pool was discovered by the Yates Petroleum Corporation Dehavilland State Unit Well No. 1 (**API No. 30-005-63778**) located in Unit E of Section 28, Township 5 South, Range 26 East, NMPM, which was completed in the Pennsylvanian formation on October 4, 2006. The top of the perforations is at 5,896 feet.

(6) There is need for extensions to the Northeast Collins Ranch-Wolfcamp Gas Pool, the Diamond Mound-Morrow Gas Pool, the Dublin Ranch-Morrow Gas Pool, the Fren-Glorieta-Yeso Pool, the Red Lake-Glorieta-Yeso Pool and the Seven Rivers Hills-Atoka Gas Pool, all in Eddy County, New Mexico.

(7) The effective date of this order and all creations, contractions and extensions included herein should be December 1, 2006.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Eddy County, New Mexico classified as an oil pool for Seven Rivers, Queen, Grayburg, San Andres, Glorieta and Yeso (Paddock) production is hereby created and designated as the Grayburg Jackson-Seven Rivers-Queen-Grayburg-San Andres-Glorieta-Yeso (Paddock) Pool (**Pool Code 97558**), consisting of the following described area:

TOWNSHIP 17 SOUTH. RANGE 29 EAST. NMPM

Section 15: W/2 SW/4

Section 16: All

Section 21: All

Section 22: W/2 W/2, E/2 NW/4, NE/4 SW/4 and NW/4 NE/4

Section 27: W/2 SW/4

Section 28: All

(b) The Grayburg Jackson-Seven Rivers-Queen-Grayburg-San Andres Pool (**Pool Code 28509**) in Eddy County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 15: W/2 SW/4
Section 16: All
Section 21: All
Section 22: W/2 W/2, E/2 NW/4, NE/4 SW/4 and NW/4 NE/4
Section 27: W/2 SW/4
Section 28: All

(c) A new pool in Eddy County, New Mexico classified as a gas pool for Atoka production is hereby created and designated as the West Penasco Draw-Atoka Gas Pool (**Pool Code 97562**), consisting of the following described area:

TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM

Section 36: E/2

(d) A new pool in Chaves County, New Mexico classified as a gas pool for Pennsylvanian production is hereby created and designated as the Six Mile Draw-Pennsylvanian Gas Pool (**Pool Code 97561**), consisting of the following described area:

TOWNSHIP 5 SOUTH, RANGE 26 EAST, NMPM

Section 28: W/2

(e) The Northeast Collins Ranch-Wolfcamp Gas Pool (**Pool Code 96623**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM

Section 13: S/2

(f) The Diamond Mound-Morrow Gas Pool (**Pool Code 76079**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM

Section 3: SW/4
Section 10: W/2

(g) The Dublin Ranch-Morrow Gas Pool (**Pool Code 76140**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM

Section 15: N/2

(h) The Fren-Glorieta-Yeso Pool (**Pool Code 26770**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Section 9: E/2

(i) 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: NW/4
Section 18: N/2

(j) The Seven Rivers Hills-Atoka Gas Pool (**Pool Code 96714**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM
Section 11: All

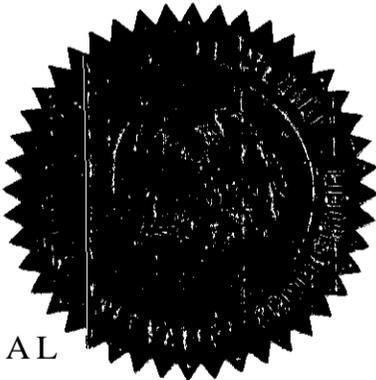
IT IS FURTHER ORDERED THAT:

(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 and extensions included herein shall be December 1, 2006.

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

SEAL



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, written over the printed name.

MARK E. FESMIRE, P.E.
Director