

**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. 14405
ORDER NO. R-13207**

**APPLICATION OF PEDERNALES PRODUCTION, LP FOR APPROVAL OF A
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing December 17, 2009 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 28th day of December, 2009, 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) The applicant, Pedernales Production, LP, seeks approval of its UNO State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 1600 acres, more or less, of State lands situated in Lea County, New Mexico:

Township 14 South, Range 34 East, NMPM

Section 23: N/2
Section 24: All
Section 25: All

(3) The Applicant presented testimony by affidavit as follows.

a. Pedernales owns 100 percent of the working interests within the Unit and this 100 percent is committed to the Unit. The State of New Mexico owns all royalty interests and the State Land Office has given preliminary approval for this Unit.

b. The initial well is planned to be drilled horizontally within the N/2 N/2 of Section 23, Township 14 South, Range 34 East, NMPM, Lea County, New Mexico, to a vertical depth (for the lateral) of 9,655 feet to test the Wolfcamp formation. The well is currently planned to begin at a standard surface location within Unit A and terminate at a standard location within Unit D.

c. The primary target for this initial well will be oil production from the upper Wolfcamp dolomite at depths of 9600 to 9800 feet.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The UNO State Exploratory Unit Agreement executed by Pedernales Production, LP is hereby approved for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 1600 acres, more or less, of State lands situated in Lea County, New Mexico:

Township 14 South, Range 34 East, NMPM

Section 23: N/2
Section 24: All
Section 25: All

(2) The plan contained in the UNO State Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

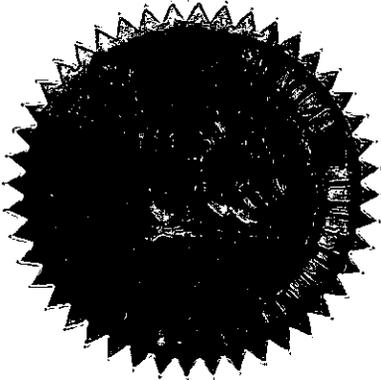
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the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

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this case 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

 MARK E. FESMIRE, P.E.
Director