

**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. 14531
Order No. R-13316**

**APPLICATION OF OGX RESOURCES, LLC
FOR APPROVAL OF A UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 2, 2010, at Santa Fe, New Mexico, before Examiner Terry G. Warnell.

NOW, on this 21st day of September, 2010, 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) OGX Resources, LLC ("Applicant"), seeks approval of the Unit Agreement for its NLA State Unit Area for all oil and gas in all formations underlying the following described 1748.97 acres, more or less, of State lands in Lea County, New Mexico:

Township 9 South, Range 33 East, N.M.P.M.

Section 6: Lots 1-7, S/2 NE/4, SE/4 NW/4, E/2 SW/4, and SE/4 (All)

Section 7: Lots 1-4, E/2 W/2 (W/2 equivalent), and NE/4

Section 18: Lots 1-4, E/2 W/2, and E/2 (All)

(3) Applicant presented evidence at hearing that:

(a) All working interest owners in the Unit Area have committed their interests to the Unit Agreement.

- (b) The royalty interest in the proposed Unit Area is owned 100% by the State of New Mexico.
 - (c) The Commissioner of Public Lands has given his preliminary approval of the Unit Agreement.
 - (d) Unit Tracts 1 and 2 have no overriding royalty owners. The overriding royalty owners in Unit Tract 3 have executed the Unit Agreement. The overriding royalty owner in Unit Tracts 4 and 5 has not committed its interest to the Unit Agreement.
 - (e) Sufficient working interests and royalty interests within the Unit Area have voluntarily committed their interests to afford the unit operator effective control of unit operations pursuant to the Unit Agreement.
 - (f) The primary test for the initial unit well will be the Abo formation, which applicant plans to test by a horizontal well located in the W/2 W/2 of Section 18.
- (4) No person appeared at the hearing or otherwise objected to the proposed Unit Agreement.
- (5) All of the proposed unit acreage in the Unit Area appears to be productive for the recovery of oil or gas from the target formation under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits of future oil and gas recovery.
- (6) The approval of the proposed Unit Agreement will serve to prevent waste and protect correlative rights in the lands within the Unit Area.

IT IS THEREFORE ORDERED THAT:

- (1) The Unit Agreement for the NLA State Unit Area is hereby approved for all formations underlying the following described 1748.97 acres, more or less, of State lands in Lea County, New Mexico:

Township 9 South, Range 33 East, N.M.P.M.

Section 6: Lots 1-7, S/2 NE/4, SE/4 NW/4, E/2 SW/4, and SE/4 (All)
Section 7: Lots 1-4, E/2 W/2 (W/2 equivalent), and NE/4
Section 18: Lots 1-4, E/2 W/2, and E/2 (All)

- (2) The plan contained within the NLA State 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 hereafter may be, vested in the

Division to supervise and control operation of the Unit Area and production of oil and gas therefrom.

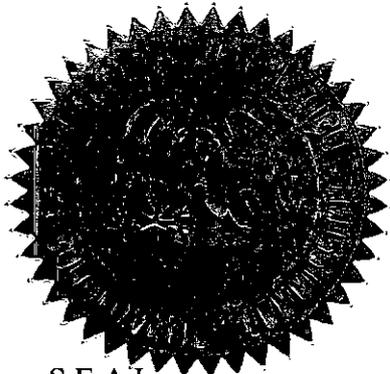
(3) The operator shall file with the Division an executed original or counterpart of the Unit Agreement within 30 days of the effective date thereof; in the event of any subsequent joinder by any other person, or expansion or contraction of the Unit Area, the unit operator shall file with the Division, within 30 days thereafter, copies of the Unit Agreement and any applicable amendment, 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 final approval of the Unit Agreement by the Commissioner of Public Lands. This order shall terminate upon the termination of the Unit Agreement. The last operator shall promptly notify the Division 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.



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, extending across the width of the text area.

MARK E. FESMIRE, P.E.
Acting Director