

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. 10883
ORDER NO. R-10045

APPLICATION OF PG&E RESOURCES COMPANY FOR A UNIT AGREEMENT,
SANDOVAL COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 16, 1993, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 4th day of January, 1994, 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, PG&E Resources Company, seeks approval of the Hatch Lake Unit Agreement and Area for all oil and gas in any and all formations underlying 24,852.84 acres, more or less, of federal, state and fee lands in Sandoval County, New Mexico, as further described in Exhibit "A" attached hereto and made a part hereof.

(3) The applicant's witness presented testimony and exhibits to show that 50.48% of the proposed unit is federal land; 49.18% is fee land and 0.34% is state land. Approximately 80% of the interest owners have approved the Unit. The Bureau of Land Management has reviewed the unit area and designated it as a logical unit area.

(4) Geologic exhibits and testimony were presented to show that the proposed unit outline encompasses an area of fracture development in the Niobrara member of the Mancos formation. Two pools in the area, the Rio Puerco to the South and the West Puerto Chiquito to the North, both produce from the Mancos.

(5) The initial unit well is a proposed 5000-foot test in the SW/4 SE/4 of Section 4, Township 21 North, Range 1 West, NMPM, Sandoval County, New Mexico. The primary objective for the test would be the fractured Mancos section. In the event lease ownership limitations require an alternate location for the initial test it would be a 7000-foot Mancos test in the NE/4 NE/4 of Section 9, Township 21 North, Range 1 West.

(6) Prior to the hearing a letter was received which stated that as owner of sixty-five mineral acres within the unit, the writer objected to the proposed unit because of its large size and the possible tie-up of large amounts of acreage with a small amount of production.

(7) No interested party appeared at the hearing in opposition to the proposed unit.

(8) 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.

IT IS THEREFORE ORDERED THAT:

(1) The Hatch Lake Unit Agreement, executed by PG&E Resource Company is hereby approved for all oil and gas in any and all formations underlying 24,852.84 acres, more or less, of federal, state and fee lands in Sandoval County, New Mexico, as further 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, 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 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 after 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, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

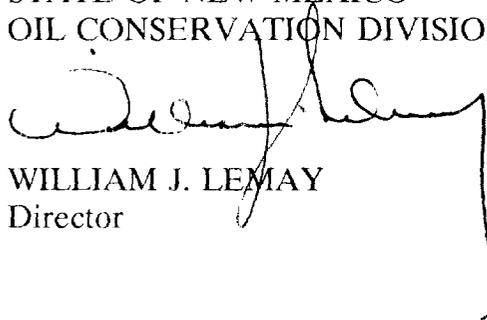
(4) All plans of development and operation, all unit participating areas and expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) This order shall become effective upon the approval of said unit agreement by the appropriate agency of the United States Department of Interior and the Commissioner of Public Lands for the State of New Mexico; 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

S E A L

EXHIBIT "A"
CASE NO. 10883
ORDER NO. R-10045
HATCH LAKE UNIT AGREEMENT
SANDOVAL COUNTY, NEW MEXICO

TOWNSHIP 21 NORTH, RANGE 1 WEST, NMPM

Sections 2 through 10: All

TOWNSHIP 22 NORTH, RANGE 1 WEST, NMPM

Sections 2 through 11: All

Sections 14 through 23: All

Sections 26 through 35: All