

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. 11923
ORDER NO. R-11058

**APPLICATION OF SHAHARA OIL, L.L.C. FOR 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 February 19, 1998, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 16th day of September, 1998, the Division Director, having considered 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) At the time of the hearing Division Case Nos. 11923 and 11924 were consolidated for the purpose of testimony.

(3) The applicant, Shahara Oil, L.L.C. ("Shahara"), seeks approval of its Shahara State Unit Agreement for an area comprising 320 acres, more or less, of State lands in Lea County, New Mexico, described as follows and hereinafter referred to as the "Unit Area":

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 16: W/2

(4) The "Unitized Formation," as described within the Shahara State Unit Agreement, is to comprise the interval underlying the Unit Area in the Maljamar-Grayburg San Andres Pool that extends from a measured depth of approximately 4,100 feet to approximately 5,500 feet.

(5) Within the Unit Area, the applicant proposes to initiate an enhanced oil recovery project for the tertiary recovery of oil and gas from that portion of the Maljamar-Grayburg San Andres Pool designated as the Unitized Formation within the Unit Area. The proposed enhanced oil recovery project is the subject of companion Case No. 11924.

(6) No interested party appeared and objected to the proposed unit agreement.

(7) All (i) plans of development and operation (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the Unit Area should be submitted to the Division Director for approval.

(8) Approval of the proposed unit agreement promotes the prevention of waste and protection of correlative rights within the Unit Area.

IT IS THEREFORE ORDERED THAT:

(1) The application of Shahara Oil, L.L.C. ("Shahara") for approval of the Shahara State Unit Agreement for an area comprising 320 acres, more or less, of State lands in Lea County, New Mexico, described as follows and hereinafter referred to as the "Unit Area," for the purpose of establishing an enhanced oil recovery project is hereby granted.

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 16: W/2

(2) The "Unitized Formation" shall include that interval underlying the Unit Area in the Maljamar-Grayburg San Andres Pool that extends from a measured depth of approximately 4,100 feet to approximately 5,500 feet.

(3) The plan contained in the Unit Agreement for the development and operation of the Unit Area is hereby approved as a proper conservation measure; 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 which is now, or may hereafter be, vested in the Division to supervise and control operations on the Unit Area and production of oil and gas therefrom.

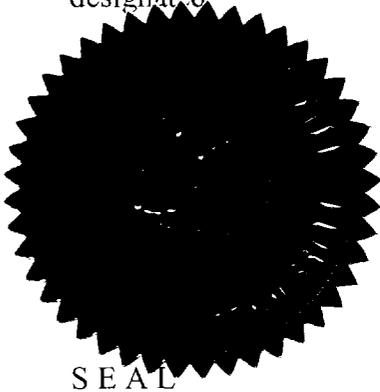
(4) The unit operator shall file with the Division an executed original or executed counterpart of the Unit Agreement within 30 days after the effective date thereof; in the event of subsequent joinder by any other party or expansion or contraction of the Unit Area, the unit operator shall file with the Division, within 30 days thereafter, counterparts of the Unit Agreement reflecting the subscription of those interests.

(5) 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.

(6) This order shall become effective upon the approval of the Unit Agreement by the Commissioner of Public Lands for the State of New Mexico and shall automatically terminate upon the termination of this agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(7) Jurisdiction is hereby 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


LORLWROTENBERY
Director