

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM 111927	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A	
2. Name of Operator Edge Petroleum Operating Company, Inc. 224400		7. If Unit or CA Agreement, Name and No. N/A	
3a. Address 1301 Travis, Suite 2000 Houston, Texas 77002		8. Lease Name and Well No. 34990 Box Canyon 13 Federal #1	
3b. Phone No. (include area code) 713-654-8960		9. ABL Well No. 30-015-34252	
4. Location of Well (Report location clearly and in accordance with any State requirements) At surface 1185' FSL & 2035' FWL At proposed prod. zone		10. Field and Pool, or Exploratory Little Box Canyon - Morrow 80240	
14. Distance in miles and direction from nearest town or post office* 28 Miles West of Carlsbad		11. Sec., T. R. M. or Bk. and Survey or Area Sec 13, T21S, R21E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 1185'		12. County or Parish Eddy Co.	
16. No. of acres in lease 80		13. State NM	
17. Spacing Unit dedicated to this well S/2 of Sec. 13		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	
19. Proposed Depth 8,900'		20. BLM/BIA Bond No. on file NMB 000121	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4545'		22. Approximate date work will start* 06/15/2005	
23. Estimated duration 35 Days		24. Attachments Roswell Controlled Water Basin	

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Lindsay Truesdell</i>	Name (Printed/Typed) Lindsay Truesdell	Date 05/26/2005
Title Consultant		

Approved by (Signature) <i>/s/ Joe G. Lara</i>	Name (Printed/Typed) /s/ Joe G. Lara	Date JUL 29 2005
Title FIELD MANAGER		
Office CARLSBAD FIELD OFFICE		

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

NSL-
Drill Only
Witness Surface &
Intermediate Casing

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

DISTRICT I

1625 N. FRANKLIN DR., HOHEN, NM 88240

DISTRICT II

1201 V. GRANT AVENUE, ALBUQUERQUE, NM 87102

DISTRICT III

1000 E. BRANCO RD., ALBUQUERQUE, NM 87102

DISTRICT IV

1625 N. FRANKLIN DR., HOHEN, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources DepartmentOIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-34252	Pool Code 80240	Pool Name Little Box Canyon - Morrow
Property Code	Property Name BOX CANYON 13 FEDERAL	Well Number 1
OGED No. 22440	Operator Name EDGE PETROLEUM OPERATING CO., INC.	Elevation 4545'

Surface Location

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
N	13	21-S	21-E		1185	SOUTH	2035	WEST	EDDY

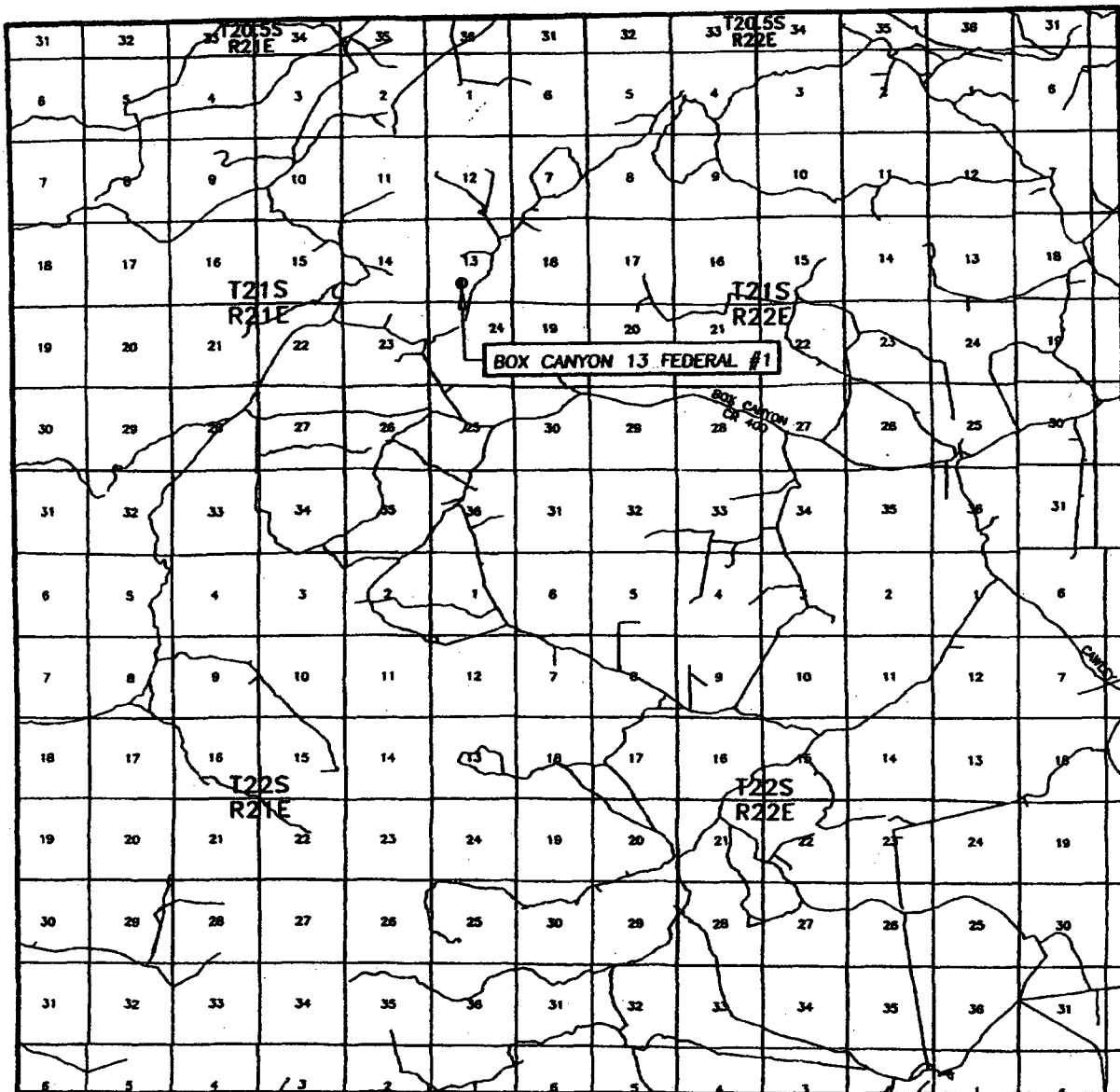
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <i>Lindsay Truesdell</i> Signature Lindsay Truesdell Printed Name Consultant Title May 25, 2005 Date
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. MAY 23, 2005 Date Surveyed Signature & Seal of Professional Surveyor <i>Barry E. Eidsen</i> 05-11-0794 Certificate No. BARRY EIDSEN 12841

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 13 TWP. 21-S RGE. 21-E
 SURVEY N.M.P.M.
 COUNTY EDDY
 DESCRIPTION 1185' FSL & 2035' FWL
 ELEVATION 4545'
 OPERATOR EDGE PETROLEUM
OPERATING CO., INC.
 LEASE BOX CANYON 13 FEDERAL

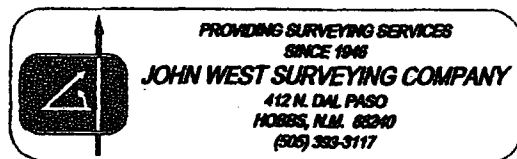
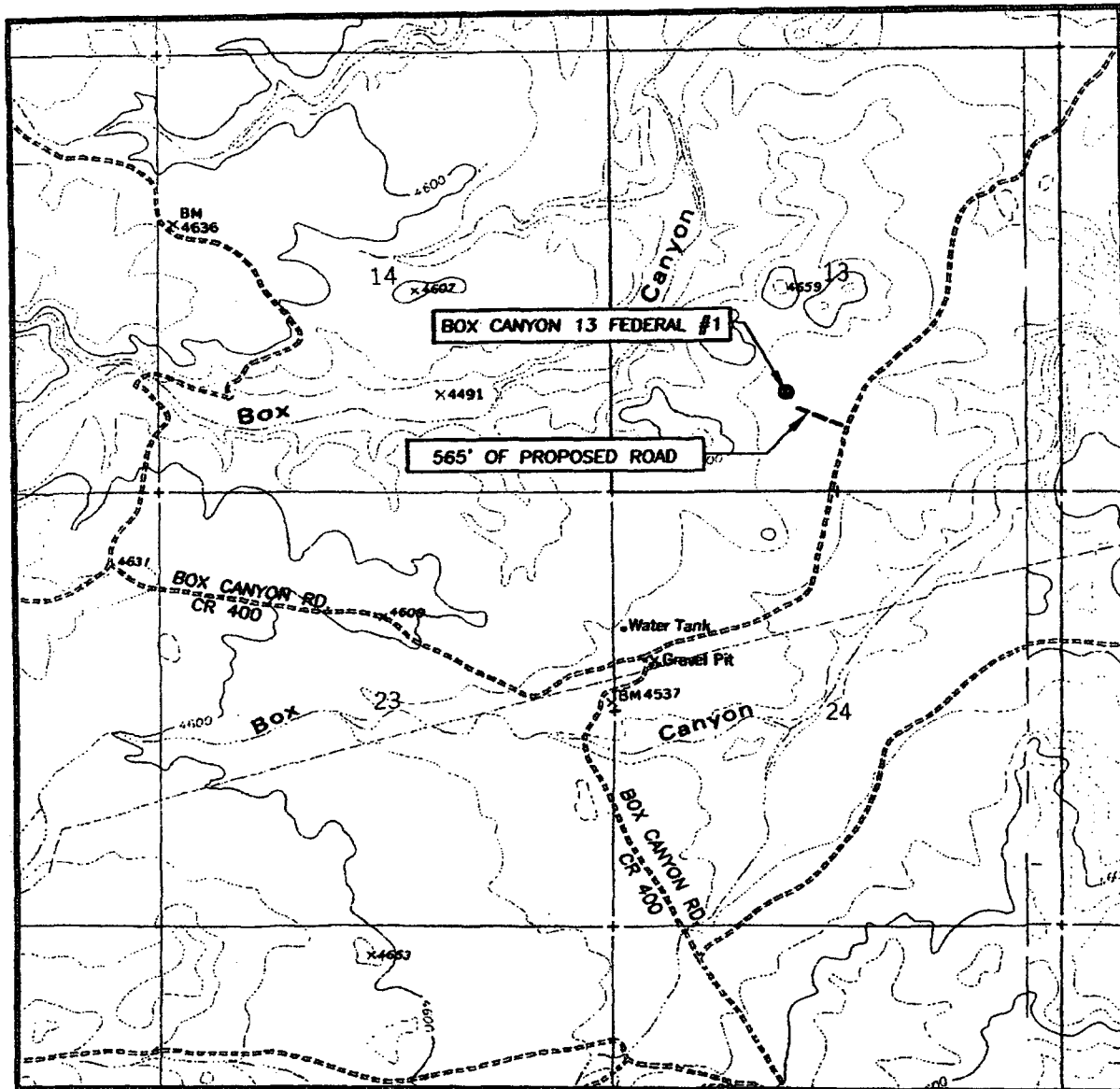


Exhibit "A"

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
TEXAS HILL, N.M. - 40'

SEC. 13 TWP. 21-S RGE. 21-E
 SURVEY N.M.P.M.
 COUNTY EDDY
 DESCRIPTION 1185' FSL & 2035' FWL
 ELEVATION 4545'
 OPERATOR EDGE PETROLEUM
 OPERATING CO., INC.
 LEASE BOX CANYON 13 FEDERAL
 U.S.G.S. TOPOGRAPHIC MAP
 TEXAS HILL, N.M.

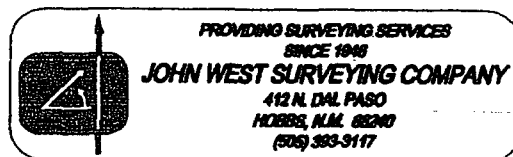


Exhibit "C"

DRILLING PROGRAM

EDGE PETROLEUM OPERATING COMPANY, INC.

BOX CANYON 13 FEDERAL #1

Section 13, T-21-S, R-21-E

Eddy County, New Mexico

The following items supplement Form 3160-3 in accordance with instructions contained in Onshore Oil and Gas Orders #1 and #2, and all other applicable federal and state regulations.

1. ESTIMATED TOPS OF GEOLOGIC MARKERS:

San Andres	252'
Glorietta	1,500'
Abo	3,359'
Wolfcamp	4,518'
Cisco	5,845'
Lower Canyon	6,619'
Strawn	7,212'
Atoka	7,622'
Morrow	7,984'
Chester	8,290'
Mississippi	8,400'
Total Depth	8,900'

2. ESTIMATED DEPTHS TO WATER, OIL, OR GAS FORMATIONS:

Fresh Water	Above 200'
Oil and Gas	San Andres, Bone Springs, Atoka, Strawn and Morrow

3. Pressure control equipment: The blow out preventer equipment (BOP) shown in Exhibit #1 will consist of a 3000 psi double ram type preventer for drilling the intermediate hole. The blowout preventer stack for the production hole will consist of at least a double-ram blowout preventer and annular preventer rated to 3000 psi working pressure. A diagram of the BOPs and choke manifold is attached. All BOPs and accessory equipment will be tested according to Onshore Order #2 before drilling out.

4. PROPOSED CASING PROGRAM:

<u>Hole Size</u>	<u>Interval</u>	<u>Casing Size</u>	<u>Weight</u>	<u>Grade, Joint</u>
17-1/2"	0 - 300'	13-3/8"	48#	H-40 ST&C
12-1/4"	0 - 1,550'	9-5/8"	36#	K-55 ST&C
8-1/2"	0 - 8,400'	5-1/2"	17#	N-80 LT&C

Edge Petroleum Operating Company, Inc
Box Canyon 13 Federal #1
Drilling Program

Equivalent or adequate grades and weights of casing may be substituted at time casing is run, depending on availability. Changes will be relayed to BLM prior to running.

5. PROPOSED CEMENTING PROGRAM

20" conductor	cemented with ready mix to surface
13-3/8" surface	250 sxs Premium Plus cement, 2% calcium chloride
9-5/8" intermediate	400 sxs Interfill "C" cement, 1/4# per sx Flocele 150 sxs Premium Plus cement
5-1/2" production	300 sxs Light Cement 300 sxs Super "H" cement .5% Halad, .4% CFR-3, 3# per sx Gilsonite

6. PROPOSED MUD SYSTEM:

<u>DEPTH</u>	<u>DESCRIPTION</u>	<u>MUD WEIGHT</u>	<u>VISCOSITY</u>	<u>WATER LOSS</u>
0' - 300'	fresh water	8.4 - 9.4 ppg	32 - 34	NC
300' - 1,550'	fresh water	8.4 ppg	28	NC
1,550' - 7,500'	fresh water	8.3 - 8.8 ppg	28	NC
7,500' - 8,400'	brine water	8.7 - 9.0 ppg	31 - 33	8 - 10 cc

7. TESTING, LOGGING AND CORING PROGRAM:

Samples	From 2,000'
DST's	Potential DST Zones: Wolfcamp reef, Strawn lm, Atoka sand, Mid/Lwr Morrow sd
Logging	Dual Lateral, Gamma Ray, Caliper, Density Neutron, PE Factor
Coring	Possible sidewall core: Grayburg, San Andres, Strawn lm, Atoka sand, Mid/Lwr Morrow sd

8. ABNORMAL PRESSURES AND TEMPERATURES:

None anticipated. Maximum bottom hole pressure should not exceed 4,900psi. This area has a potential H₂S hazard. An H₂S drilling plan is attached.

ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

It is planned that operations will commence on June 15, 2005. Drilling should be completed within 35 days followed by completion operations.

United States Department of the Interior
Bureau of Land Management
Roswell Field Office
2909 Second Street
Roswell, New Mexico 88201-1287

Statement Accepting Responsibility for Operations

Operator Name: Edge Petroleum Operating Company, Inc.
Street or Box: 1301 Travis, Suite 2000
City, State: Houston, Texas
Zip Code: 77002

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No: USA NM 111927

Legal Description of Land:

Township 21 South, Range 21 East, Eddy, New Mexico

S/2 of Section 13

Bond Coverage:

Statewide Oil and Gas Surety Bond, Edge Petroleum Operating Company, Inc.

BLM Bond File No.: NMB 000121

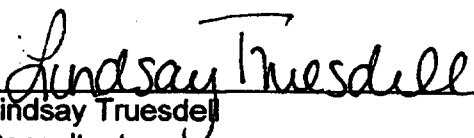

Lindsay Truesdell
Consultant
May 25, 2005



EXHIBIT NO. 05-NM-523-783-A

CULTURAL RESOURCES STIPULATIONS

**Box Canyon "13" Federal #1 Well Pad and Access Road
Lease Number NM-111927**



CONDITIONS OF APPROVAL:

Reducing and avoiding effects: A protected cultural property (Archaeological Site #LA 148,513) is located abutting the western edge of the area surveyed for the well pad. In order to proceed with construction without damaging the buried archaeological resource, the following stipulations shall be implemented by Edge Petroleum Operating Company, Inc. (Agent: R.K. Ford & Associates), and the responsible field construction managers and personnel:

I. PROFESSIONAL ARCHAEOLOGICAL MONITORING IS REQUIRED FOR THIS PROJECT.

- A. A copy of these stipulations shall be supplied to the archaeological monitor at least two (2) working days prior to the start of construction activities.
- B. No construction activities, including vegetation removal, may begin before the arrival of the archaeological monitor.

II. THE ARCHAEOLOGICAL MONITOR WILL:

- A. Ensure that a no construction, vehicle traffic, spoil piles, or other construction-related activity occurs within 100 feet of Archaeological Site Number LA 148,513, as depicted on the attached map.
- B. Ensure that the site protection barrier is located as indicated on the attached map(s).
- C. Observe all surface disturbing activities within 200' feet of Archaeological site Number LA 148,513 (see attached map(s)).
- D. Submit a report of monitoring activities within thirty (30) days of completion of monitoring. These stipulations must be attached to the report

III. SITE BARRIER/FENCING:

- A. A temporary site protection barrier shall be erected prior to construction. The barrier shall, at a minimum, consist of upright wooden survey lath spaced no more than ten (10) feet apart and marked with blue ribbon flagging or blue paint. There shall be no construction activities or vehicular traffic past the barrier. The barrier shall remain in place through reclamation and reseeding.
- B. The barrier shall be placed as indicated on the attached map.
- C. If any cultural resource (historic or prehistoric object or material) is unearthed during construction or drilling operations, the discovery shall be immediately reported to the Carlsbad Field Office (CFO). All operations in the immediate vicinity (50') of such discovery shall cease until written authorization to proceed is issued by the CFO. An evaluation of the discovery will be made by CFO specialists to determine appropriate actions to prevent the loss of significant cultural or scientific values.

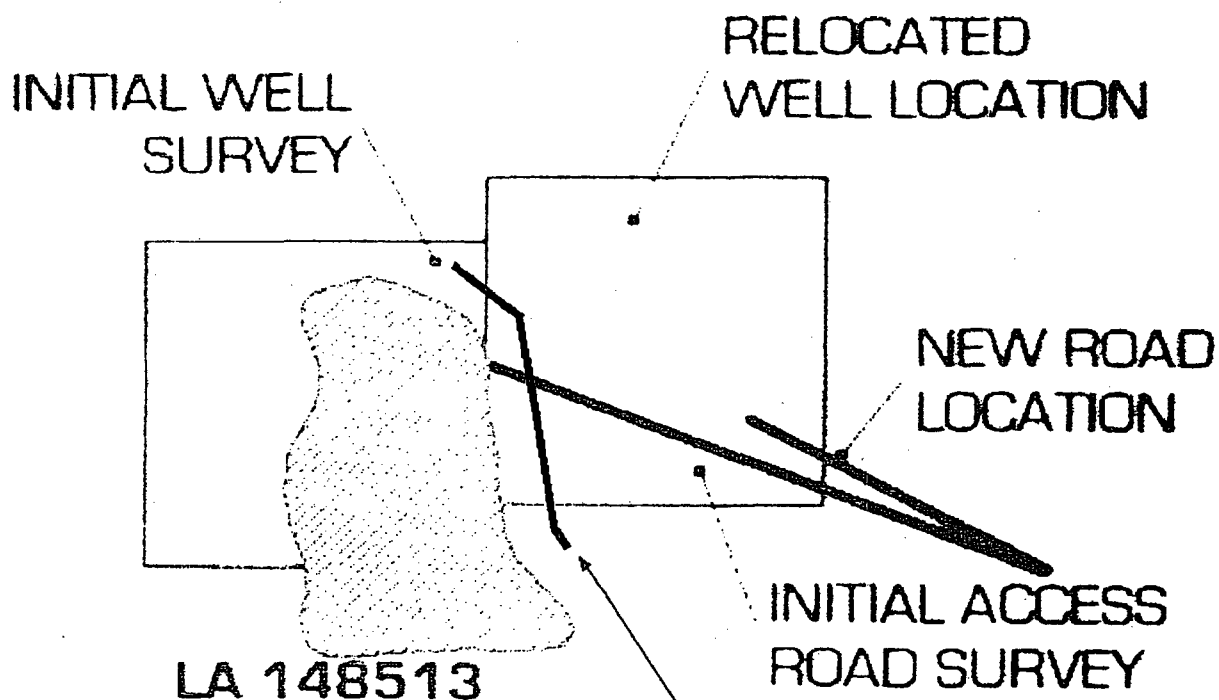
SITE PROTECTION AND EMPLOYEE EDUCATION: Please help us protect cultural resources. Inform all employees of the project that cultural and archaeological sites are to be avoided by all personnel, personal vehicles, and company equipment. Also, inform all employees that it is illegal to collect, damage or disturb cultural resources on federal lands.

BLM Contacts: Mr. Gary Navarre, Carlsbad Field Office, 620 E. Greene St., Carlsbad, NM 88220; (505) 234-5980.
Mr. Bruce Boeke, Carlsbad Field Office, 620 E. Greene St., Carlsbad, NM 88220; (505) 234-5917

Exhibit No. 05-NM-523-783-B.

Temporary Barrier Location

Box Canyon 13 Federal No. 1



Temporary Barrier Location

To be constructed ca. 100' from archaeological site

SCALE 1:10,000

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Edge Petroleum Operating Company, Inc.
Well Name & No. Box Canyon 13 Federal #1
Location: 1185' FSL, 2035' FWL, Section 13, T. 21 S., R. 21 E., Eddy County, New Mexico
Lease: NM-111927

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

A. Well spud

B. Cementing casing: 13-3/8 inch 9-5/8 inch 5-1/2 inch

C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15-day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

II. CASING:

1. The 13-3/8 inch surface casing shall be set at approximately 300 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is to be circulated to the surface.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

6/20/2005

acs

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workmanlike manner. Hard line connections shall be required.

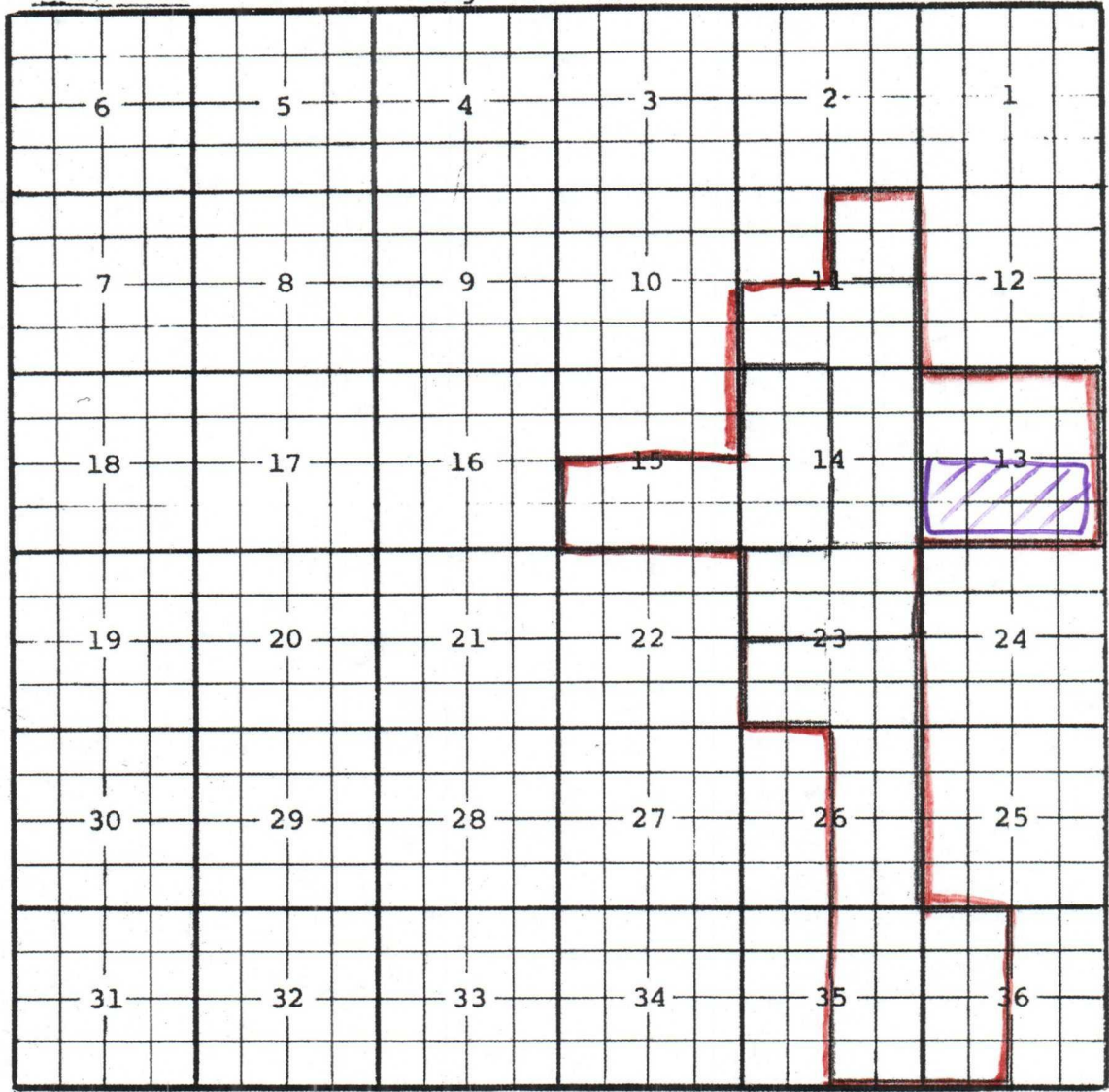
IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the Wolfcamp formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

- Recording pit level indicator to indicate volume gains and losses.
- Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
- Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

72780

County Eddy Pool Box Canyon ^{Permo}~~Upper~~ Pennsylvanian Gas
TOWNSHIP 21 South Range 21 East NMPM



Description: $\frac{1}{2}$ Sec 11, $\frac{1}{2}$ Sec 14 (R-5609, 1-1-78)
Ext: $\frac{1}{2}$ Sec 23 (R-5729, 6-1-78) Ext: All Sec 13, $\frac{1}{2}$ Sec 23, -
- $\frac{1}{2}$ Secs 26 & 35, $\frac{1}{2}$ Sec 36, and vertical limits extended to include
Wolfcamp & Canyon. Pool redesignated Box Canyon -
Permo-Pennsylvanian Gas (R-5876, 12-1-78) Ext: $\frac{1}{2}$ Sec 14, $\frac{1}{2}$ Sec 15 (R-5968, 5-1-79)
Ext: NE $\frac{1}{4}$ Sec. 11 (R-11705, 12-13-01)

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 6107
Order No. R-5609

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION FOR AN
ORDER CREATING, CONTRACTING, AND EXTENDING
CERTAIN POOLS IN CHAVES, EDDY, LEA, AND
ROOSEVELT COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on December 14, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 27th day of December, 1977, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That there is need for the creation of a new oil pool in Roosevelt County, New Mexico, for the production of oil from the San Andres formation, said pool to bear the designation of East Allison-San Andres Pool. Said East Allison-San Andres Pool was discovered by the Wainoco, Inc. Ingram "28" Federal Well No. 1 located in Unit O of Section 28, Township 8 South, Range 37 East, NMPM. It was completed in the San Andres formation on December 13, 1976. The top of the perforations is at 4884 feet.

(3) That there is need for the creation of a new oil pool in Eddy County, New Mexico, for the production of oil from the Yeso formation, said pool to bear the designation of Atoka-Yeso Pool. Said Atoka-Yeso Pool was discovered by the Yates Petroleum Corporation Mallard HM Well No. 2 located in Unit K of Section 28, Township 18 South, Range 26 East, NMPM. It was completed in the Yeso formation on March 29, 1977. The top of the perforations is at 2474 feet.

(4) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Bone Springs formation, said pool to bear the designation of Avalon-Bone Springs Gas Pool. Said Avalon-Bone Springs Gas Pool was discovered by the Coquina Oil Corporation Wagner Federal Well No. 2 located in Unit L of Section 29, Township 20 South, Range 27 East, NMPM. It was completed in the Bone Springs formation on November 5, 1976. The top of the perforations is at 6084 feet.

(5) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Atoka formation, said pool to bear the designation of Northeast Avalon-Atoka Gas Pool. Said Northeast Avalon-Atoka Gas Pool was discovered by the Gulf Oil Corporation Eddy FT State Well No. 1 located in Unit K of Section 26, Township 20 South, Range 27 East, NMPM. It was completed in the Atoka formation on August 27, 1976. The top of the perforations is at 10573 feet.

(6) That there is need for the creation of a new oil pool in Eddy County, New Mexico, for the production of oil from the Cisco formation, said pool to bear the designation of Box Canyon-Upper Pennsylvanian Pool. Said Box Canyon-Upper Pennsylvanian Pool was discovered by the Yates Petroleum Corporation El Paso GS Federal Well No. 1 located in Unit J of Section 11, Township 21 South, Range 21 East, NMPM. It was completed in the Cisco formation on February 1, 1977. The top of the perforations is at 6080 feet.

(7) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Atoka formation, said pool to bear the designation of West Burton Flat-Atoka Gas Pool. Said West Burton Flat-Atoka Gas Pool was discovered by the Yates Petroleum Corporation Stonewall DS Federal Well No. 2 located in Unit J of Section 29, Township 20 South, Range 28 East, NMPM. It was completed in the Atoka formation on November 25, 1975. The top of the perforations is at 10,546 feet.

(8) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Wolfcamp formation, said pool to bear the designation of Cottonwood Creek-Wolfcamp Gas Pool. Said Cottonwood Creek-Wolfcamp Gas Pool was discovered by the Yates Petroleum Corporation Terry FU Well No. 1 located in Unit F of Section 21, Township 16 South, Range 25 East, NMPM. It was completed in the Wolfcamp formation on July 21, 1976. The top of the perforations is at 4881 feet.

(9) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Wolfcamp formation, said pool to bear the designation of East Cottonwood Creek-Wolfcamp Gas Pool. Said East Cottonwood Creek-Wolfcamp Gas Pool was discovered by the Yates Petroleum Corporation

Lizzie Howard HK Well No. 1 located in Unit K of Section 13, Township 16 South, Range 25 East, NMPM. It was completed in the Wolfcamp formation on April 28, 1977. The top of the perforations is at 5055 feet.

(10) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Wolfcamp formation, said pool to bear the designation of West Cottonwood Creek-Wolfcamp Gas Pool. Said West Cottonwood Creek-Wolfcamp Gas Pool was discovered by the Yates Petroleum Corporation Collins HS Federal Com Well No. 1 located in Unit G of Section 35, Township 16 South, Range 24 East, NMPM. It was completed in the Wolfcamp formation on May 28, 1977. The top of the perforations is at 4765 feet.

(11) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Morrow formation, said pool to bear the designation of West Dagger Draw-Morrow Gas Pool. Said West Dagger Draw-Morrow Gas Pool was discovered by the Yates Petroleum Corporation CC Tank Unit Well No. 4 located in Unit J of Section 8, Township 20 South, Range 24 East, NMPM. It was completed in the Morrow formation on August 8, 1976. The top of the perforations is at 8937 feet.

(12) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Morrow formation, said pool to bear the designation of Happy Valley-Morrow Gas Pool. Said Happy Valley-Morrow Gas Pool was discovered by the Superior Oil Company State Q Com Well No. 1 located in Unit L of Section 34, Township 21 South, Range 26 East, NMPM. It was completed in the Morrow formation on June 8, 1973. The top of the perforations is at 11,086 feet.

(13) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Strawn formation, said pool to bear the designation of Happy Valley-Strawn Gas Pool. Said Happy Valley-Strawn Gas Pool was discovered by the Morris R. Antweil Mesa Fuerte Com Well No. 1 located in Unit J of Section 33, Township 21 South, Range 26 East, NMPM. It was completed in the Strawn formation on August 1, 1977. The top of the perforations is at 9822 feet.

(14) That there is need for the creation of a new oil pool in Eddy County, New Mexico, for the production of oil from the Delaware formation, said pool to bear the designation of Herradura Bend-Delaware Pool. Said Herradura Bend-Delaware Pool was discovered by the Orla Petco, Inc. Pardue Well No. 1 located in Unit B of Section 6, Township 23 South, Range 28 East, NMPM. It was completed in the Delaware formation on August 23, 1977. The top of the perforations is at 2466 feet.

(15) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Strawn formation, said pool to bear the designation of Hoag Tank-Strawn Gas Pool. Said Hoag Tank-Strawn Gas Pool was discovered by the Yates Petroleum Corporation Roden Federal GD Com Well No. 1 located in Unit I of Section 23, Township 19 South, Range 24 East, NMPM. It was completed in the Strawn formation on March 22, 1977. The top of the perforations is at 8357 feet.

(16) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Morrow formation, said pool to bear the designation of West Indian Basin-Morrow Gas Pool. Said West Indian Basin-Morrow Gas Pool was discovered by the Yates Petroleum Corporation Hilliard BF Federal Well No. 1Y located in Unit H of Section 14, Township 21 South, Range 22 East, NMPM. It was completed in the Morrow formation on October 21, 1976. The top of the perforations is at 8786 feet.

(17) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Atoka formation, said pool to bear the designation of Little Box Canyon-Atoka Gas Pool. Said Little Box Canyon-Atoka Gas Pool was discovered by the Yates Petroleum Corporation Federal HQ Well No. 1 located in Unit N of Section 5, Township 21 South, Range 22 East, NMPM. It was completed in the Atoka formation on September 9, 1977. The top of the perforations is at 7967 feet.

(18) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Morrow formation, said pool to bear the designation of Loafer Draw-Morrow Gas Pool. Said Loafer Draw-Morrow Gas Pool was discovered by the Inexco Oil Company Arroyo Federal Well No. 1 located in Unit K of Section 26, Township 21 South, Range 22 East, NMPM. It was completed in the Morrow formation on July 19, 1977. The top of the perforations is at 9202 feet.

(19) That there is need for the creation of a new gas pool in Lea County, New Mexico, for the production of gas from the Morrow formation, said pool to bear the designation of Northwest Lusk-Morrow Gas Pool. Said Northwest Lusk-Morrow Gas Pool was discovered by the C & K Petroleum, Inc. Greenwood "6" Federal Well No. 1 located in Unit N of Section 6, Township 19 South, Range 32 East, NMPM. It was completed in the Morrow formation on August 3, 1976. The top of the perforations is at 12,114 feet.

(20) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Strawn formation, said pool to bear the designation of Millman-Strawn Gas Pool. Said Millman-Strawn Gas Pool was discovered by the Yates Petroleum Corporation North Millman Unit Well No. 1 located in Unit G of Section 7, Township 19 South, Range 28 East, NMPM. It was completed in the Strawn formation on March 21, 1977. The top of the perforations is at 9792 feet.

(21) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Morrow formation, said pool to bear the designation of South Millman-Morrow Gas Pool. Said South Millman-Morrow Gas Pool was discovered by the Yates Petroleum Corporation Millman HD State Com Well No. 1 located in Unit O of Section 17, Township 19 South, Range 28 East, NMPM. It was completed in the Morrow formation on April 30, 1977. The top of the perforations is at 10,848 feet.

(22) That there is need for the creation of a new gas pool in Lea County, New Mexico, for the production of gas from the Queen formation, said pool to bear the designation of North Reeves-Queen Gas Pool. Said North Reeves-Queen Gas Pool was discovered by Harvey E. Yates Company, Inc. Hanlad State Well No. 1 located in Unit K of Section 2, Township 18 South, Range 35 East, NMPM. It was completed in the Queen formation on September 16, 1977. The top of the perforations is at 4212 feet.

(23) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Strawn formation, said pool to bear the designation of Revelation-Strawn Gas Pool. Said Revelation-Strawn Gas Pool was discovered by the Belco Petroleum Corporation Pennzoil State Well No. 1 located in Unit B of Section 16, Township 22 South, Range 25 East, NMPM. It was completed in the Strawn formation on June 1, 1977. The top of the perforations is at 9615 feet.

(24) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Atoka formation, said pool to bear the designation of Riverside-Atoka Gas Pool. Said Riverside-Atoka Gas Pool was discovered by the Yates Petroleum Corporation Holden DE Well No. 1 located in Unit J of Section 12, Township 17 South, Range 26 East, NMPM. It was completed in the Atoka formation on January 4, 1974. The top of the perforations is at 8354 feet.

(25) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Atoka formation, said pool to bear the designation of North Shugart-Atoka Gas Pool. Said North Shugart-Atoka Gas Pool was discovered by the Gulf Oil Corporation Littlefield EM Federal Com Well No. 1 located in Unit J of Section 20, Township 18 South, Range 31 East, NMPM. It was completed in the Atoka formation on April 15, 1977. The top of the perforations is at 11,102 feet.

(26) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Morrow formation, said pool to bear the designation of North Shugart-Morrow Gas Pool. Said North Shugart-Morrow Gas Pool was discovered by the Gulf Oil Corporation Littlefield EM Federal Com Well No. 1 located in Unit J of Section 20, Township 18 South, Range 31 East, NMPM. It was completed in the Morrow formation on April 14, 1977. The top of the perforations is at 11,567 feet.

(27) That there is need for the creation of a new gas pool in Eddy County, New Mexico, for the production of gas from the Delaware formation, said pool to bear the designation of Yarrow-Delaware Gas Pool. Said Yarrow-Delaware Gas Pool was discovered by the J.M. Huber Corporation Sorenson Well No. 1 located in Unit G of Section 14, Township 23 South, Range 26 East, NMPM. It was completed in the Delaware formation on March 3, 1977. The top of the perforations is at 2645 feet.

(28) That there is need for the contraction of the Penasco Draw-San Andres-Yeso Pool in Eddy County, New Mexico, by the deletion of certain acreage which will become a part of a new pool for Yeso production only.

(29) That there is need for certain extensions to the Cato-San Andres Pool in Chaves County, New Mexico, the Drinkard Pool, the Fowler-Upper Yeso Pool, the Kemnitz-Lower Wolfcamp Pool, the South Leonard-Queen Pool, the North Quail Ridge-Morrow Gas Pool, the Reeves-Queen Pool, the South Salt Lake-Morrow Gas Pool and the South Tonto-Yates-Seven Rivers Pool, all in Lea County, New Mexico, and the Peterson-Pennsylvanian Associated Pool and the Tomahawk-San Andres Pool both in Roosevelt County, New Mexico.

IT IS THEREFORE ORDERED:

(a) That a new pool in Roosevelt County, New Mexico, classified as an oil pool for San Andres production, is hereby created and designated as the East Allison-San Andres Pool, consisting of the following described area:

TOWNSHIP 8 SOUTH, RANGE 37 EAST, NMPM

Section 28: SE/4

Section 33: NE/4

(b) That a new pool in Eddy County, New Mexico, classified as an oil pool for Yeso production is hereby created and designated as the Atoka-Yeso Pool, consisting of the following described area:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM

Section 28: S/2 and W/2 NW/4

(c) That a new pool in Eddy County, New Mexico, classified as a gas pool for Bone Springs production, is hereby created and designated as the Avalon-Bone Springs Gas Pool, consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

Section 29: SW/4

(d) That a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production, is hereby created and designated as the Northeast Avalon-Atoka Gas Pool, consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

Section 25: W/2

Section 26: S/2

(e) That a new pool in Eddy County, New Mexico, classified as a gas pool for Cisco production is hereby created and designated as the Box Canyon-Upper Pennsylvanian Gas Pool, consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 21 EAST, NMPM

Section 11: S/2

Section 14: E/2

(f) That a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production is hereby created and designated as the West Burton Flat-Atoka Gas Pool, consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 29: S/2

(g) That a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production, is hereby created and designated as the Cottonwood Creek-Wolfcamp Gas Pool, consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 25 EAST, NMPM

Section 21: N/2

(h) That a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production is hereby created and designated as the East Cottonwood Creek-Wolfcamp Gas Pool, consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 25 EAST, NMPM

Section 13: W/2

(i) That a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production, is hereby created and designated as the West Cottonwood Creek-Wolfcamp Gas Pool, consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 24 EAST, NMPM

Section 25: S/2

Section 26: S/2

Section 35: N/2

(j) That a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production, is hereby created and designated as the West Dagger Draw-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM
Section 8: E/2

(k) That a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production, is hereby created and designated as the Happy Valley-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 33: All
Section 34: W/2

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM
Section 4: W/2

(l) That a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production, is hereby created and designated as the Happy Valley-Strawn Gas Pool, consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 33: S/2

(m) That a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production, is hereby created and designated as the Herradura Bend-Delaware Pool, consisting of the following described area:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 6: NE/4

(n) That a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production, is hereby created and designated as the Hoag Tank-Strawn Gas Pool, consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 23: E/2

(o) That a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production, is hereby created and designated as the West Indian Basin-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM
Section 14: E/2

(p) That a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production, is hereby created and designated as the Little Box Canyon-Atoka Gas Pool, consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM
Section 5: S/2

(q) That a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production, is hereby created and designated as the Loafer Draw-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM
Section 26: S/2

(r) That a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production, is hereby created and designated as the Northwest Lusk-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 6: S/2

(s) That a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production, is hereby created and designated as the Millman-Strawn Gas Pool, consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 7: All

(t) That a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production, is hereby created and designated as the South Millman-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 17: All

(u) That a new pool in Lea County, New Mexico, classified as a gas pool for Queen production, is hereby created and designated as the North Reeves-Queen Gas Pool, consisting of the following described area:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 2: SW/4

(v) That a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production, is hereby created and designated as the Revelation-Strawn Gas Pool, consisting of the following described area:

TOWNSHIP 22 SOUTH, RANGE 25 EAST, NMPM
Section 16: N/2

(w) That a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production, is hereby created and designated as the Riverside-Atoka Gas Pool, consisting of the following described area:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM
Section 12: S/2

(x) That a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production is hereby created and designated as the North Shugart-Atoka Gas Pool, consisting of the following described area:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 20: E/2

(y) That a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production, is hereby created and designated as the North Shugart-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 20: E/2
Section 29: N/2

(z) That a new pool in Eddy County, New Mexico, classified as a gas pool for Delaware production, is hereby created and designated as the Yarrow-Delaware Gas Pool, consisting of the following described area:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM
Section 14: E/2 and SW/4
Section 15: SE/4

(aa) That the Penasco Draw San Andres-Yeso Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby contracted by the deletion of the following described area:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 28: N/2 SW/4

(bb) That the Cato-San Andres Pool in Chaves County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 9 SOUTH, RANGE 30 EAST, NMPM
Section 4: SW/4

(cc) That the Drinkard Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 35: NE/4

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 18: SW/4

(dd) That the Fowler-Upper Yeso Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 14: SW/4

(ee) That the Kemnitz-Lower Wolfcamp Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 26: NW/4
Section 22: S/2
Section 27: W/2

(ff) That the South Leonard-Queen Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM
Section 13: NE/4

TOWNSHIP 26 SOUTH, RANGE 38 EAST, NMPM
Section 18: SW/4

(gg) That the Peterson-Pennsylvanian Associated Pool in Roosevelt County, New Mexico, as heretofore classified, defined and described, is hereby extended to include therein:

TOWNSHIP 5 SOUTH, RANGE 33 EAST, NMPM
Section 18: SW/4

(hh) That the North Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 7: SE/4

(ii) That the Reeves-Queen Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 27: NE/4

(jj) That the South Salt Lake-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 4: Lots 11, 12, 13, 14, and SW/4
Section 5: Lots 9, 10, 15, 16, and SE/4

(kk) That the Tomahawk-San Andres Pool in Roosevelt County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 7 SOUTH, RANGE 32 EAST, NMPM
Section 30: SE/4

(ll) That the South Tonto Yates-Seven Rivers Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 30: SE/4

IT IS FURTHER ORDERED:

(1) That, pursuant to Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, any well which, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one which is presently dedicated thereto, shall have 60 days from the effective date of this order in which to file new Forms C-102 dedicating a standard unit for the pool to said well, or to obtain a non-standard unit approved by the Commission. 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 wells 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 Commission within said 60-day period shall subject the well to cancellation of allowable.

(2) That the effective date of this order and all creations, contractions, and extensions included herein shall be January 1, 1978.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE
OF CONSIDERING:

CASE NO. 6376
Order No. R-5876

THE APPLICATION OF THE OIL CONSERVATION
DIVISION UPON ITS OWN MOTION FOR AN ORDER
CREATING, EXTENDING VERTICAL LIMITS AND
REDESIGNATING POOL, AND EXTENDING
HORIZONTAL LIMITS OF CERTAIN POOLS IN
CHAVES, EDDY, AND LEA COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 8, 1978, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of November, 1978, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That there is need for the creation of a new gas pool in Chaves County, New Mexico, for the production of gas from the Pennsylvanian formation, said pool to bear the designation of Mescalero Sands-Pennsylvanian Gas Pool. Said Mescalero Sands-Pennsylvanian Gas Pool was discovered by the Petroleum Development Corporation Estelle Federal Well No. 1 located in Unit E of Section 34, Township 12 South, Range 30 East, NMPM. It was completed June 21, 1978, in the Pennsylvanian formation. The top of the perforations is at 9,319 feet.

(3) That there is need for the creation of a new oil pool in Lea County, New Mexico, for the production of oil from the Yates formation, said pool to bear the designation of Sioux-Yates Pool. Said Sioux-Yates Pool was discovered by the Gifford,

Mitchell and Wisenbaker Tishman Federal Well No. 1 located in Unit N of Section 5, Township 26 South, Range 36 East, NMPM. It was completed July 7, 1978, in the Yates formation. The top of the perforations is at 3,203 feet.

(4) That there is need for the extension of the vertical limits of the Box Canyon-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include the Canyon and Wolfcamp formations and the redesignation of said Box Canyon-Upper Pennsylvanian Gas Pool as the Box Canyon-Permo Pennsylvanian Gas Pool, and the extension of the horizontal limits of said Box Canyon-Permo Pennsylvanian Gas Pool.

(5) That there is need for certain extensions to the Avalon-Strawn Gas Pool, the North Burton Flats-Wolfcamp Gas Pool, the East Carlsbad-Morrow Gas Pool, the South Carlsbad-Morrow Gas Pool, the Eagle Creek-Strawn Gas Pool, the East Empire Yates-Seven Rivers Pool, the Forehand Ranch-Delaware Pool, the West Malaga-Morrow Gas Pool, the Revelation-Morrow Gas Pool, the Rock Tank-Upper Morrow Gas Pool, the Southwest Sulphate-Delaware Pool, the White City-Pennsylvanian Gas Pool, the Winchester-Upper Pennsylvanian Gas Pool, and the Winchester-Wolfcamp Gas Pool, all in Eddy County, New Mexico, the Blinebry Oil and Gas Pool, the Comanche Stateline Tansill-Yates Pool, the Fowler-Tubb Gas Pool, the Jenkins-San Andres Pool, the Kemnitz-Cisco Pool, the East Lusk-Wolfcamp Pool, the South Salt Lake-Morrow Gas Pool, the Wantz-Granite Wash Pool, the Watkins Yates-Seven Rivers-Queen-Grayburg Pool, and the Wilson-Morrow Gas Pool, all in Lea County, New Mexico.

IT IS THEREFORE ORDERED:

(a) That a new pool in Chaves County, New Mexico, classified as a gas pool for Pennsylvanian production, is hereby created and designated as the Mescalero Sands-Pennsylvanian Gas Pool, consisting of the following described area:

TOWNSHIP 12 SOUTH, RANGE 30 EAST, NMPM
Section 34: W/2

(b) That a new pool in Lea County, New Mexico, classified as an oil pool for Yates production, is hereby created and designated as the Sioux-Yates Pool, consisting of the following described area:

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM
Section 31: NE/4
Section 32: W/2

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Section 5: W/2

(c) That the Avalon-Strawn Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 31: N/2
Section 32: N/2
Section 33: All

(d) That the Blinebry Oil and Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 26: SE/4

(e) That the vertical limits of the Box Canyon-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, are hereby extended to include the Canyon and Wolfcamp formations and said Box Canyon-Upper Pennsylvanian Gas Pool is hereby redesignated the Box Canyon-Permo Pennsylvanian Gas Pool and the horizontal limits of said pool are extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 21 EAST, NMPM
Section 13: All
Section 23: S/2
Section 26: E/2
Section 35: E/2
Section 36: W/2

TOWNSHIP 22 SOUTH, RANGE 21 EAST, NMPM
Section 1: N/2

(f) That the North Burton Flats-Wolfcamp Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 28: S/2
Section 33: E/2

(g) That the East Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 27: S/2

(h) That the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM
Section 34: E/2

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM
Section 28: N/2

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM
Section 10: N/2
Section 21: S/2

(i) That the Comanche Stateline Tansill-Yates Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Section 33: NW/4

(j) That the Eagle Creek-Strawn Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM
Section 29: W/2

(k) That the East Empire Yates-Seven Rivers Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 22: SW/4 and W/2 SE/4

(l) That the Forehand Ranch-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM
Section 15: NW/4 SE/4

(m) That the Fowler-Tubb Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 16: SE/4

(n) That the Jenkins-San Andres Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 9 SOUTH, RANGE 35 EAST, NMPM
Section 28: S/2

(o) That the Kemnitz-Cisco Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 16: W/2

(p) That the East Lusk-Wolfcamp Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 10: N/2 and SW/4
Section 15: NW/4

(q) That the West Malaga-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM
Section 9: N/2

(r) That the Revelation-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 25 EAST, NMPM
Section 3: W/2

(s) That the Rock Tank-Upper Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 23 SOUTH, RANGE 24 EAST, NMPM
Section 1: All

(t) That the South Salt Lake-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM
Section 25: N/2

(u) That the Southwest Sulphate-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM
Section 14: NE/4 NE/4

(v) That the Wantz-Granite Wash Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 3: NE/4

(w) That the Watkins Yates-Seven Rivers-Queen-Grayburg Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 6: SW/4

(x) That the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 8: All

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM
Section 4: All

(y) That the Wilson-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 14: S/2

(z) That the Winchester-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 24: S/2

(aa) That the Winchester-Wolfcamp Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 26: E/2 and SW/4

IT IS FURTHER ORDERED:

(1) That, pursuant to Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, any well which, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one which is presently dedicated thereto, shall have 60 days from the effective date of this order in which to file new Forms C-102 dedicating a standard unit for the pool to said 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 said 60-day period shall subject the well to cancellation of allowable.

(2) That the effective date of this order and all creations, extensions, and redesignations included herein shall be December 1, 1978.

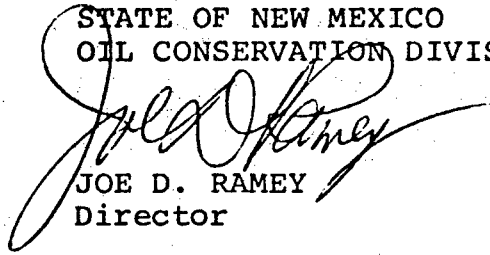
-8-

Case No. 6376

Order No. R-5876

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

S E A L

fd/

pool Box Canyon - Strawn Gas

Range 21 East

NMPM

A 6x6 grid with numbers 1 through 36. The numbers are arranged in a boustrophedon pattern: Row 1 (left to right): 6, 5, 4, 3, 2, 1; Row 2 (left to right): 7, 8, 9, 10, 11, 12; Row 3 (right to left): 18, 17, 16, 15, 14, 13; Row 4 (left to right): 19, 20, 21, 22, 23, 24; Row 5 (right to left): 30, 29, 28, 27, 26, 25; Row 6 (left to right): 31, 32, 33, 34, 35, 36. Cell 15 is highlighted with a red border. Cell 13 is highlighted with a purple border and contains diagonal purple lines.

Description: $\frac{5}{2}$ Sec 15 (R-5911, 2-1-79)

80240

County EddyPool Little Box Canyon-Morrow Gas

TOWNSHIP

20 SouthRange 21 East

NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Ext. $\frac{5}{2}$ Sec. 36 (R-11097, 12-10-98) Ext. $\frac{N}{2}$ Sec. 36 (R-11172, 5-5-99)Ext. $\frac{1}{2}$ Sec. 25 (R-11384, 5-25-00) Ext. $\frac{NE}{4}$ Sec. 25 (R-11729, 2-22-02)Ext. $\frac{3}{2}$ Sec. 35 (R-12002, 8-11-03)

County Eddy Pool Little Box Canyon-Morrow Gas

TOWNSHIP 20 South Range 23 East NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Ext: $\frac{1}{2}$ Sec. 31 (A-11815, 8-12-02) Ext: $\frac{1}{2}$ Sec. 32 (A-12208, 9-8-04)

Ext: $\frac{1}{2}$ Sec. 31 (A-12357, 5-25-05)

County Eddy Pool Little Box Canyon - Morrow Gas
TOWNSHIP 20 1/2 South Range 21 East NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

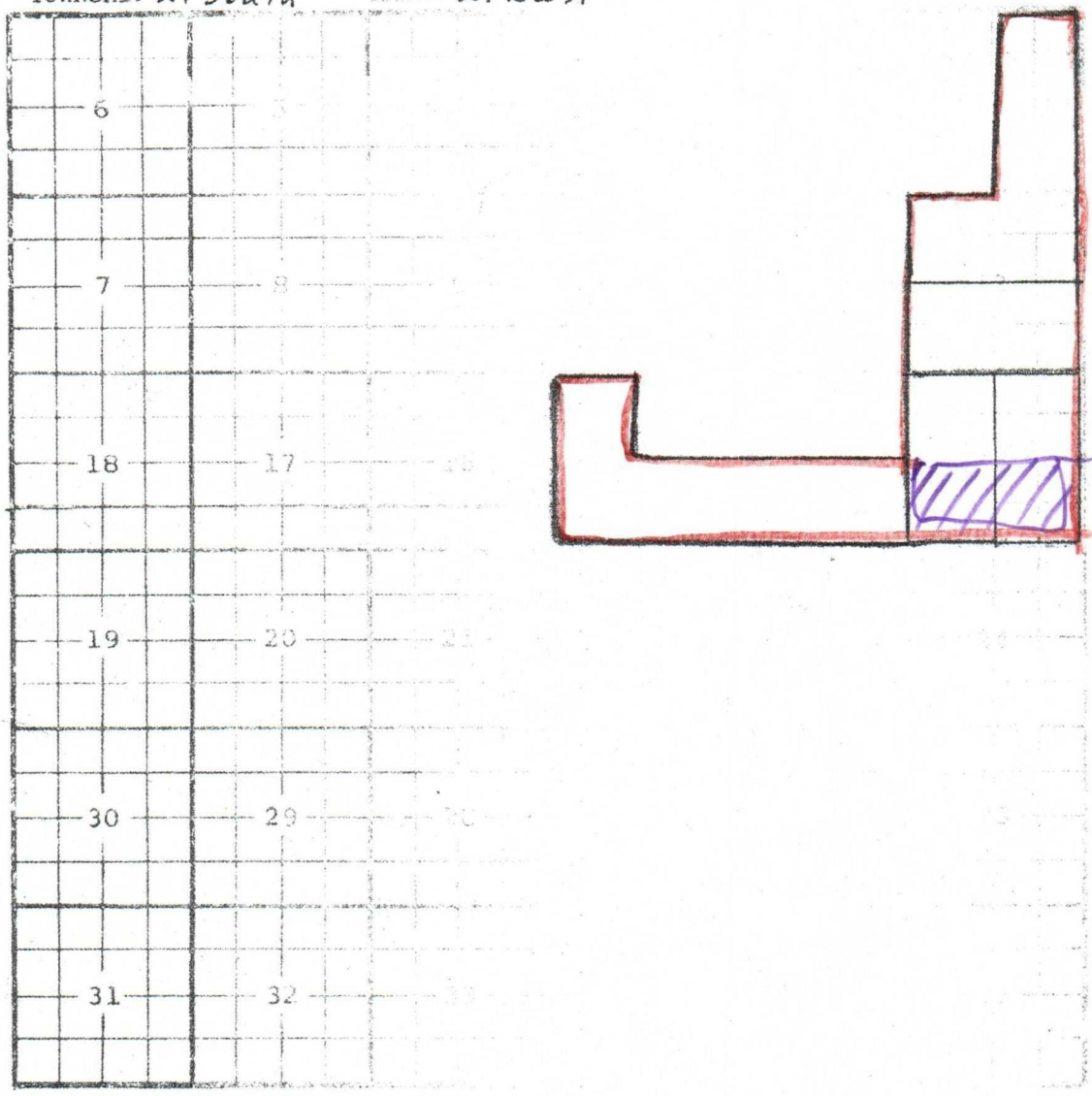
Ext. $\frac{E}{2}$ Sec. 36 (R-11097, 12-10-95)

COUNTY Eddy

Box Little Box Canyon-Morrow Gas

TOWNSHIP 21 South

RANGE 21 East



Ext: $\frac{E}{2}$ Sec 13 (R-5361, 3-1-77) Ext: $\frac{W}{2}$ Sec 13 (R-5456, 7-1-77)
Ext: $\frac{S}{2}$ Sec 12 (R-5729, 6-1-78) Ext: $\frac{E}{2}$ Sec. 1, $\frac{W}{2}$ Sec. 12 (R-10187, 9-6-94)
Ext: $\frac{S}{2}$ Sec. 14, $\frac{W}{2}$ and $\frac{SE}{4}$ Sec. 15 (A-11745, 3-13-02)

NMPM

Description: $\frac{S}{2}$ Sec 7 (R-5131, 1-1-76) Ext: $\frac{W}{2}$ Sec 18 (R-5341, 3-1-77)
EXT: $\frac{E}{2}$ sec 18 (R-6994, 5-28-82) Ext: $\frac{N}{2}$ Sec. 7 (R-8179, 3-14-86)

EXT: E/2 sec 18 (R-6994, 5-28-82) EXT: N/2 Sec. 7 (A-8179, 3-14-86)



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

March 30, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

Preston Exploration, LLC
c/o **R. K. Ford & Associates, Inc.**
415 West Wall – Suite 1700
Wilco Building
Midland, Texas 79701

Attention: **Sandra Nobles**

Administrative Order NSL-5028

Dear Ms. Nobles:

Reference is made to the following: (i) your original application (*administrative application reference No. pMES0-401330474*) on behalf of Preston Exploration, LLC ("Preston") filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on January 12, 2004; (ii) my initial response by letter dated January 29, 2004 **denying** this application; (iii) your re-submittal of this application dated March 2, 2004; and (vi) the Division's records in Santa Fe and Artesia, which included an independent search by Division staff of records in the public domain (i.e. topographic maps, aerial photos, and personal knowledge and familiarity of the immediate area): all concerning Preston's request for an unorthodox gas well location in both the Atoka and Morrow formations for its proposed San Remo "32" Well No. 1 to be drilled 1980 feet from the North line and 2130 feet from the West line (Unit F) of Section 32, Township 16 South, Range 26 East, NMPM, Eddy County, New Mexico.

The N/2 of Section 32, being a standard 320-acre lay-down deep gas spacing unit pursuant to Division Rule 104.C (2) within both the Undesignated POW-Morrow Gas Pool (83040) and Undesignated POW-Atoka Gas Pool (97624), is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 104.F.

The proposed unorthodox location is necessary to minimize disturbance to residences within the immediate area.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox deep gas well location for Preston's proposed San Remo "32" Well No. 1 in both the Atoka and Morrow formations within this 320-acre unit comprising the N/2 of Section 32 is hereby approved.

Preston Exploration, LLC
March 30, 2004
Page 2

Division Administrative Order NSL-5028

IT HOWEVER SHALL BE NOTED for future reference, R. K. Ford & Associates, Inc., as a prudent and reputable applicant, must provide adequate supporting data to complete an application, otherwise all request for administrative relief from the Division's rules filed by R. K. Ford & Associates, Inc. will automatically be set for hearing.

Jurisdiction of this cause is retained for the entry of such further orders as the Division deems necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office – Santa Fe
Preston Exploration, LLC – The Woodlands, Texas