

PAUL BACA PROFESSIONAL COURT REPORTERS

**OIL CONSERVATION
DIVISION**

CASE # 14199

EXHIBIT

7

**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. 14199
ORDER NO. R-_____**

**APPLICATION OF DAN A. HUGHES, COMPANY L.P. FOR APPROVAL OF A
UNIT AGREEMENT, HIDALGO COUNTY, NEW MEXICO.**

**DAN A. HUGHES COMPANY, L.P.'S PROPOSED
ORDER OF THE DIVISION**

BY THE DIVISION:

This case came on for hearing on December 4, 2008 at Santa Fe, New Mexico,
before Examiner _____.

NOW, on this __ day of _____ 2008, 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) The applicant, Dan A. Hughes Company, L.P., seeks approval of its North
Big Hatchet Exploratory Unit Agreement for all oil and gas in all formations underlying
the following-described 39,667.69 acres, more or less, of state and fee lands in Hidalgo
County, New Mexico, described as follows:

Township 30 South, Range 16 West, N.M.P.M.

Section 6:	All
Section 7:	E/2, SW/4
Sections 8 and 9:	All
Sections 17:	All
Section 18:	N/2, SW/4
Section 19:	All
Section 21 :	All
Sections 28 and 29:	All

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No.14199 Exhibit No. 7
Submitted by:
Dan A. Hughes Company, L.P.
Hearing Date: December 4, 2008

Section 30: SW/4 SW/4
Section 31: S/2 SE/4
Section 34: W/2

Township 30 South, Range 17 West, N.M.P.M.

Section 1: E/2, S/2 SW/4, NE/4SW/4
Sections 2 and 3: All
Sections 10 through 12: All
Section 13: W/2
Sections 14 and 15: All
Sections 22 and 23: All
Section 24: S/2, NW/4
Sections 25 through 27: All
Sections 34 through 36: All

Township 31 South, Range 16 West, N.M.P.M.

Sections 3 through 10: All
Section 15 and 16: All
Section 17: E/2 NW/4
Sections 18 through 22: All
Section 29: All
Section 30: SW/4
Section 31: W/2
Section 32: All

Township 31 South, Range 17 West, N.M.P.M.

Section 1 and 2: All
Sections 10 through 15: All
Sections 22 through 26: All
Section 27: N/2
Section 34: N/2
Sections 35 and 36: All

Township 32 South, Range 16 West, N.M.P.M.

Section 6: NW/4

Township 32 South, Range 17 West, N.M.P.M.

Section 1: NE/4 NE/4
Section 2: All
Section 3: NE/4 NE/4

(3) Applicant presented testimony that demonstrates that:

- (a) Sufficient working interest and royalty interest within the Unit area have been voluntarily committed to afford effective control of unit operations to the Unit Plan;
- (b) The unit covers an area that can be reasonable developed under a unit plan;
- (c) The primary target for this unit area is the Percha Shale formation, but all formations will be evaluated down to the basement, and if the initial well is successful, additional wells will be drilled in the unit area;
- (d) The Commissioner of Public lands has given preliminary approval for the proposed Unit; and
- (e) the initial test well will be drilled to an approximate depth of 6600 feet at a standard well location 2100 feet from the South line and 1400 feet from the East line and of Section 14, Township 30 South, Range 17 West, NMPM, Hidalgo County, New Mexico.

(4) No interested party appeared or otherwise objected to the proposed unit agreement.

(5) 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 North Big Hatchet Exploratory Unit Agreement is hereby approved for all oil and gas in all formations underlying the following-described 39,667.69 acres, more or less, of state and fee lands in Hidalgo County, New Mexico, described as follows:

Township 30 South, Range 16 West, N.M.P.M.

Section 6:	All
Section 7:	E/2, SW/4
Sections 8 and 9:	All
Sections 17:	All
Section 18:	N/2, SW/4
Section 19:	All
Section 21 :	All
Sections 28 and 29:	All
Section 30:	SW/4 SW/4

Section 31: S/2 SE/4
Section 34: W/2

Township 30 South, Range 17 West, N.M.P.M.

Section 1: E/2, S/2 SW/4, NE/4SW/4
Sections 2 and 3: All
Sections 10 through 12: All
Section 13: W/2
Sections 14 and 15: All
Sections 22 and 23: All
Section 24: S/2, NW/4
Sections 25 through 27: All
Sections 34 through 36: All

Township 31 South, Range 16 West, N.M.P.M.

Sections 3 through 10: All
Section 15 and 16: All
Section 17: E/2 NW/4
Sections 18 through 22: All
Section 29: All
Section 30: SW/4
Section 31: W/2
Section 32: All

Township 31 South, Range 17 West, N.M.P.M.

Section 1 and 2: All
Sections 10 through 15: All
Sections 22 through 26: All
Section 27: N/2
Section 34: N/2
Sections 35 and 36: All

Township 32 South, Range 16 West, N.M.P.M.

Section 6: NW/4

Township 32 South, Range 17 West, N.M.P.M.

Section 1: NE/4 NE/4
Section 2: All
Section 3: NE/4 NE/4

(2) The plan contained in the North Big Hatchet 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 hereinafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas there from.

(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 approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

STATE OF NEW MEXICO

OIL CONSERVATION DIVISION

MARK E. FESMIRE, P. E.

Director

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