

**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. 13219
ORDER NO. R-12111**

**APPLICATION OF ELK OIL COMPANY FOR APPROVAL OF A UNIT
AGREEMENT, CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 19, 2004, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of March, 2004, 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) The applicant, Elk Oil Company ("Elk"), seeks approval of the Z-28 State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following-described 2,240 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM

| | |
|-------------|-----|
| Section 11: | All |
| Section 12: | W/2 |
| Section 13: | All |
| Section 24: | All |

(3) The applicant appeared at the hearing through legal counsel and presented its evidence in this case by affidavit.

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

(5) Approval of the proposed unit agreement should promote the prevention of waste and protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Elk Oil Company, the Z-28 State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 2,240 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM

| | |
|-------------|-----|
| Section 11: | All |
| Section 12: | W/2 |
| Section 13: | All |
| Section 24: | All |

(2) The plan contained in the 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 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 hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

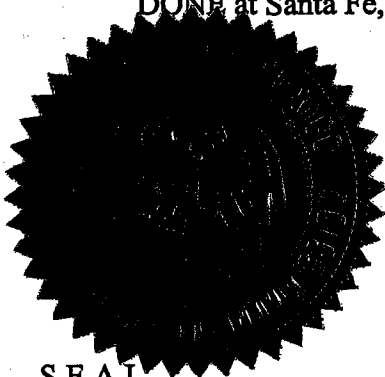
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All plans of (i) development and operation; (ii) creation, expansion or contraction of participating areas; or (iii) expansion or contraction of the unit area shall be submitted to the Director for approval.

(5) This order shall become effective upon the 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

Lori Wrotenbery

LORI WROTENBERY
Director