

**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. 14988
ORDER NO. R-13719**

**APPLICATION OF AMTEX ENERGY, INC. FOR APPROVAL OF A UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 am on May 30, 2013, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze.

NOW, on this 27th day of June, 2013, 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, Amtex Energy, Inc. ("Amtex"), seeks approval of its Merchant State Unit Agreement for all oil and gas in all formations from the top of the Bone Spring formation to the top of the Strawn formation underlying the following-described 1280.12 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

Township 21 South, Range 33 East, NMPM

Section 35: All

Township 22 South, Range 33 East, NMPM

Section 2: All

(3) Applicant appeared at the hearing through counsel and presented testimony that demonstrates that:

a. The New Mexico State Land Office owns all acreage. Amtex is the owner of the four State leases for the acreage and all of the acreage is committed to the Unit.

b. The State Land Office has given preliminary approval for this Unit.

c. Amtex proposes to re-enter the Gamma Ridge 35 State No. 1 (API No. 30-025-29991) 2310 feet from the North line and 990 feet from the East line, Section 35, Township 21 South, Range 33 East, NMPM, as vertical pilot hole to 5500 feet, then side track and deepen to a depth of 13,500 feet to test the Bone Spring formation, the Wolfcamp formation and the upper Pennsylvanian intervals.

d. The re-entered well will be an exploratory well designated the Merchant State Unit No. 1.

e. The primary target for this unit area is the Bone Spring formation including the upper "Avalon" sand and the 1st, 2nd, and 3rd Bone Spring sands. Additional evaluation will be conducted on the deeper Wolfcamp, Cisco and Canyon formations and if the initial well is successful, additional wells will be drilled in the unit area.

(4) Division records indicate that the nearest defined pool to this Unit, for the formations identified by Amtex, is the West Gramma Ridge-Bone Spring Pool (Pool No. 28432) which includes the SE/4, Section 1, Township 23 South, Range 33 East, NMPM.

(5) No other party appeared at the hearing or otherwise opposed this application.

(6) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the Applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(7) The approval of the proposed unit agreement should serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Merchant State Unit Agreement executed by Amtex Energy, Inc. is hereby approved for all oil and gas from the top of the Bone Spring formation to the top of the Strawn formation underlying the following-described 1280.12 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

Township 21 South, Range 33 East, NMPM

Section 35: All

Township 22 South, Range 33 East, NMPM

Section 2: All

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

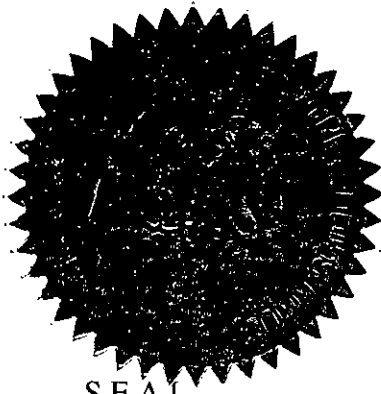
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the 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 the approval of the unit agreement by the New Mexico State Land Office. 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JAMI BAILEY
Director