

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. 13637
Order No. R-12495

THE APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING AND
EXTENDING CERTAIN POOLS IN CHAVES AND
EDDY COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 19, 2006, at Santa Fe, New Mexico before Examiner Richard I. Ezeanyim.

NOW, on this 25th day of January, 2006, 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) There is need for the creation of a new pool in Eddy County, New Mexico for the production of oil from the Bone Spring formation, bearing the designation of Cottonwood Draw-Bone Spring Pool (Pool Code 97494). The Cottonwood Draw-Bone Spring Pool was discovered by the Latigo Petroleum, Inc. Marine "19" Federal Well No. 1 (API No. **30-015-33981**) located in Lot 2 of Section 19, Township 25 South, Range 27 East, NMPM, which was completed in the Bone Spring formation on October 23, 2005. The top of the perforations is at 7,706 feet.

(3) There is need for the creation of a new pool in Eddy County, New Mexico for the production of oil from the Wolfcamp formation, bearing the designation of Dagger Draw-Wolfcamp Pool (Pool Code 97492). The Dagger Draw-Wolfcamp Pool was discovered by the Mack Energy Corporation Boa State Well No. 1 (API No. 30-015-33407) located in Unit D of Section 36, Township 19 South, Range 23 East, NMPM,

which was completed in the Wolfcamp formation on September 30, 2005. The top of the perforations is at 4,735 feet.

(4) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Upper Pennsylvanian formation, bearing the designation of Little Box Canyon-Upper Pennsylvanian Gas Pool (**Pool Code 97496**). The Little Box Canyon-Upper Pennsylvanian Gas Pool was discovered by the Yates Petroleum Corporation Luke "BAV" Federal Com. Well No. 1 (**API No. 30-015-31947**) located in Unit J of Section 3, Township 21 South, Range 22 East, NMPM, which was completed in the Upper Pennsylvanian formation on May 20, 2005. The top of the perforations is at 7,849 feet.

(5) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Atoka formation, bearing the designation of Mosley Canyon-Atoka Gas Pool (**Pool Code 97493**). The Mosley Canyon-Atoka Gas Pool was discovered by the Mewbourne Oil Company Mosley Canyon "4" State Com. Well No. 1 (**API No. 30-015-34160**) located in Lot 4 of Section 4, Township 24 South, Range 25 East, NMPM, which was completed in the Atoka formation on November 11, 2005. The top of the perforations is at 9,960 feet.

(6) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Atoka formation, bearing the designation of Waterhole Corral-Atoka Gas Pool (**Pool Code 97495**). The Waterhole Corral-Atoka Gas Pool was discovered by the Yates Petroleum Corporation Padron "BGM" State Com. Well No. 1 (**API No. 30-015-33595**) located in Unit C of Section 9, Township 25 South, Range 27 East, NMPM, which was completed in the Atoka formation on October 17, 2005. The top of the perforations is at 11,758 feet.

(7) There is need for extensions to the East Burton Flat-Atoka Gas Pool, the Calabaza Draw-Atoka Gas Pool, the Cemetery-Wolfcamp Gas Pool, the Chosa Draw-Morrow Gas Pool, the Northeast Collins Ranch-Wolfcamp Gas Pool, the Cottonwood Draw-Morrow Gas Pool, the HG-Morrow Gas Pool, the East Herradura Bend-Delaware Pool, the Indian Basin-Upper Pennsylvanian Associated Pool, the Kennedy Farms-Strawn Gas Pool, the Otis-Atoka Gas Pool, the East Red Lake-Upper Pennsylvanian Gas Pool, and the Southwest Willow Lake-Delaware Pool, all in Eddy County, New Mexico; and the Comanche Spring-Pre-Permian Gas Pool and the Northeast Foor Ranch-Pre-Permian Gas Pool, both in Chaves County, New Mexico.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Eddy County, New Mexico classified as an oil pool for Bone Spring production is hereby created and designated as the Cottonwood Draw-Bone Spring Pool (**Pool Code 97494**), consisting of the following described area:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM
Section 19: NW/4

(b) A new pool in Eddy County, New Mexico classified as an oil pool for Wolfcamp production is hereby created and designated as the Dagger Draw-Wolfcamp Pool (**Pool Code 97492**), consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM
Section 36: NW/4

(c) A new pool in Eddy County, New Mexico classified as a gas pool for Upper Pennsylvanian production is hereby created and designated as the Little Box Canyon-Upper Pennsylvanian Gas Pool (**Pool Code 97496**), consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM
Section 3: E/2

(d) A new pool in Eddy County, New Mexico classified as a gas pool for Atoka production is hereby created and designated as the Mosley Canyon-Atoka Gas Pool (**Pool Code 97493**), consisting of the following described area:

TOWNSHIP 24 SOUTH, RANGE 25 EAST, NMPM
Section 4: W/2

(e) A new pool in Eddy County, New Mexico classified as a gas pool for Atoka production is hereby created and designated as the Waterhole Corral-Atoka Gas Pool (**Pool Code 97495**), consisting of the following described area:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM
Section 9: W/2

(f) The East Burton Flat-Atoka Gas Pool (**Pool Code 73200**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 1: E/2

(g) The Calabaza Draw-Atoka Gas Pool (**Pool Code 73695**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 33: N/2 and SE/4

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 3: Lots 17, 18, 23 through 26, 29 and 30

(h) The Cemetery-Wolfcamp Gas Pool (**Pool Code 74680**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Section 25: S/2

Section 36: N/2

(i) The Chosa Draw-Morrow Gas Pool (**Pool Code 74900**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM

Section 16: W/2

(j) The Northeast Collins Ranch-Wolfcamp Gas Pool (**Pool Code 96623**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM

Section 24: NE/4

TOWNSHIP 17 SOUTH, RANGE 25 EAST, NMPM

Section 18: W/2

Section 19: NW/4

(k) The Comanche Spring-Pre-Permian Gas Pool (**Pool Code 75015**) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM

Section 24: SE/4

Section 25: N/2

TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM

Section 19: S/2

Section 20: W/2

(l) The Cottonwood Draw-Morrow Gas Pool (**Pool Code 97377**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM

Section 18: W/2

Section 19: NW/4

(m) The Northeast Foor Ranch-Pre-Permian Gas Pool (**Pool Code 97170**) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM

Section 9: W/2
Section 16: NW/4
Section 17: NE/4

(n) The HG-Morrow Gas Pool (**Pool Code 78400**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Section 25: N/2

(o) The East Herradura Bend-Delaware Pool (**Pool Code 30670**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM

Section 12: NW/4

(p) The Indian Basin-Upper Pennsylvanian Associated Pool (**Pool Code 33685**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM

Section 1: N/2

(q) The Kennedy Farms-Strawn Gas Pool (**Pool Code 96978**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM

Section 11: All

(r) The Otis-Atoka Gas Pool (**Pool Code 96891**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM

Section 12: W/2
Section 13: NW/4

(s) The East Red Lake-Upper Pennsylvanian Gas Pool (**Pool Code 96645**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM

Section 27: SE/4
Section 34: S/2 and NE/4

(t) The Southwest Willow Lake-Delaware Pool (**Pool Code 96855**) in Eddy County, New Mexico is hereby extended to include:

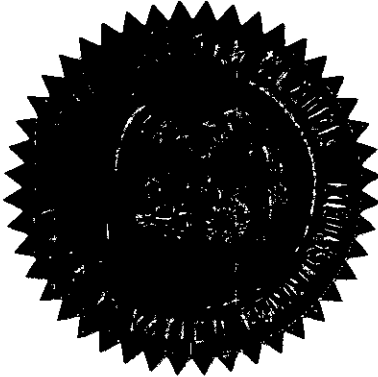
TOWNSHIP 25 SOUTH, RANGE 28 EAST, NMPPM
Section 3: NW/4

IT IS FURTHER ORDERED THAT:

(1) Pursuant to Section 70-2-18, NMSA, 1978, an operator of any well that, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one presently dedicated thereto, shall have 60 days from the effective date of this order to file Form C-102 dedicating a standard unit for the pool to that 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 that 60-day period shall subject the well to cancellation of allowable.

(2) The effective date of this order and all creations and extensions included herein shall be February 1, 2006.

DONE at Santa Fe, New Mexico on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director