

**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 TO CONSIDER:**

**CASE NO. 20634
ORDER NO. R-20871**

**APPLICATION OF REGENERATION ENERGY CORP. FOR APPROVAL OF THE
BLUE MOON STATE UNIT, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing July 11, 2019 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 17th day of September 2019, 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, Regeneration Energy Corp. (OGRID 280240), seeks approval of its Blue Moon State Unit for oil and gas underlying the following described 640 acres of State Trust lands located in Eddy County, New Mexico:

Township 26 South, Range 27 East, NMPM

Section 16: All

(3) The unitized interval extends from the surface to the base of the Delaware formation within the Unit Area; which depth is identified as 5732 feet beneath the surface in the Cluster State Com Well No. 4H (API No. 30-015-40481 located 1887 feet from the South line and 190 feet from the West line in Section 16, T26S, R27E.

(4) The Applicant appeared at the hearing through legal counsel and presented testimony as follows:

- (a) The proposed Blue Moon State Unit comprises portions of two separate State Land Office leases both of which have a royalty rate of 1/6th. There are currently four working interest owners and three overriding royalty interest owners.
- (b) The Commissioner of Public Lands has given preliminary approval and the Unit Agreement will be effective upon final approval of the Commissioner.
- (c) The oil prospective Williamson Sand (which is the basal most sand in the Cherry Canyon) of the Delaware formation (Welch; Delaware Pool) is expected to be laterally continuous and present throughout the proposed Unit and may be drilled vertically or horizontally from South to North or North to South.

The Division concludes that

- (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 formation under the concept proposed by the Applicant.
- (7) The proposed Unit will and should be approved to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT

(1) The Blue Moon State Unit Agreement executed by Regeneration Energy Corp. is hereby approved for oil and gas underlying the following described 640 acres of State Trust lands located in Eddy County, New Mexico:

Township 26 South, Range 27 East, NMPM

Section 16: All

(2) The unitized interval extends from the surface to the base of the Delaware formation within the Unit Area; which depth is identified as 5732 feet beneath the surface in the Cluster State Com Well No. 4H (API No. 30-015-40481 located 1887 feet from the South line and 190 feet from the West line in Section 16, T26S, R27E.

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

(4) 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.

(5) Copies of all expansions or contractions of the unit area shall be submitted to the Division Director.

(6) This order shall become effective upon the final approval of the unit agreement by the Commissioner of Public Lands. 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.

(7) 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

A handwritten signature in blue ink, appearing to read "Adrienne Sandoval".

ADRIENNE SANDOVAL
Director

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