

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL
CONSERVATION DIVISION**

**CASE NO 13608 (NOMENCLATURE)
ORDER NO. R-12567**

**IN THE MATTER OF THE APPLICATION OF MACK
ENERGY CORPORATION FOR CONTRACTION OF
THE EAST EMPIRE-YESO POOL AND EXTENSION
OF THE HORIZONTAL BOUNDARIES AND THE
VERTICAL LIMITS OF A PORTION OF THE
GRAYBURG JACKSON (SEVEN RIVERS-QUEEN-
GRAYBURG-SAN ANDRES) POOL, EDDY COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 13, 2006, at Santa Fe, New Mexico, before Examiner, David K. Brooks.

NOW, on this 13th day of June, 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) Cases 13608 and 13609 were consolidated for hearing. However, separate orders will be entered in the two cases.

(3) In this Case No. 13608, Mack Energy Corporation (Mack) seeks an order (a) contracting the boundaries of the East Empire-Yeso Pool to exclude the portion thereof included within the Grayburg-Jackson West Cooperative Unit (the Unit Area), (b) extending the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool to include the Glorieta-Yeso (Paddock) formation underlying the Unit Area.

(4) Mack is acting as operator in fact of the Grayburg-Jackson West Cooperative Unit on behalf of its affiliate, COG Operating, LLC, which is the record operator of the unit.

(5) The portion of the East Empire-Yeso Pool that is within the horizontal boundaries of the Unit Area is the following:

Township 17 South, Range 29 East, NMPM

Section 22: N/2 SW/4 and SW/4 SW/4

Section 27: W/2 SW/4

Section 28: N/2

(6) The Seven Rivers, Queen and Grayburg-San Andres formations within the Unit Area are contained within the Grayburg-Jackson Pool.

(7) In companion Case No. 13609, Mack seeks an order approving the expansion of the vertical limits of the Grayburg-Jackson West Cooperative Unit Agreement to include the Yeso/Paddock interval underlying the Unit Area, for the purposes of conducting primary and secondary recovery operations in this interval as well as the Grayburg-San Andres interval where it is presently conducting such operations. Accordingly, in this application it seeks changes in the nomenclature to conform to its plan of operations.

(8) Only owners of interests within the Unit were notified of this application. However, there are no special pool orders in effect as to either of the subject pools. Well spacing and density as to each of the subject pools is governed by statewide rules. Accordingly, the Division concludes that no rights of parties owning interests outside the Unit Area will be affected by this Order.

(9) Mack presented testimony to the effect that:

(a) The Grayburg Jackson Pool is productive throughout the Unit Area.

(b) The Yeso/Paddock interval has not been tested or developed within the Unit Area. However, Mack expects that interval will be productive.

(c) Mack plans to drill approximately 145 additional wells within the Unit Area in the next several years. Where it believes that the Yeso/Paddock interval is likely to be productive, it will drill or deepen its Grayburg/ San Andres wells to test this formation.

(d) In parts of the Unit Area, the Yeso/Paddock interval is likely not to be sufficiently productive to support stand-alone Yeso/Paddock wells, and if such wells were drilled, production would have to be surface commingled with Grayburg/San Andres production to prevent uneconomic duplication of surface facilities.

(e) Accordingly of the Grayburg/San Andres and the Yeso/Paddock within the Unit Area would be most efficiently managed as a single common source of supply.

(f) Consolidation of these intervals in a common pool within the Unit Area would not adversely affect correlative rights anywhere.

(10) The Division, in Orders No. R-12255 and R-12256, entered on January 3, 2005 in Cases 13385 and 13386 respectively, consolidated the Grayburg/San Andres and the Yeso/Paddock intervals in the Dodd Federal Unit Area, which offsets the Unit Area to the north and east.

(11) Approval of this application will allow economic primary and secondary recovery of oil and gas reserves from the Yeso/Paddock interval that may otherwise not be recovered, thereby preventing waste, and will not impair correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Mack Energy Corporation for contraction of the East Empire- Yeso Pool and extension of the vertical limits of a portion of the Grayburg Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool in Eddy County, New Mexico, is hereby approved.

(2) The horizontal boundaries of the East Empire-Yeso Pool are hereby contracted by deleting the following area:

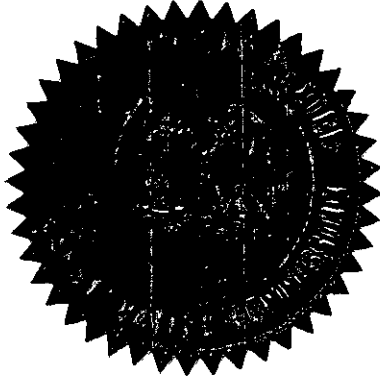
Township 17 South. Range 29 East. NMPM
Section 22: N/2 SW/4, SW/4 SW/4
Section 27: W/2 SW/4
Section 28: N/2

(3) The vertical limits of the Grayburg Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool are expanded to include the Glorieta-Yeso (Paddock) formation underlying the following lands:

Township 17 South. Range 29 East. NMPM
Section 15: W/2 SW/4
Section 16: All
Section 21: All
Section 22: NW/4 NE/4, NW/4, N/2 SW/4 and SW/4 SW/4
Section 27: W/2 SW/4
Section 28: All

(4) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

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

MARK E. FESMIRE, P.E.
Director