

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. 13934
Order No. R-12766

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 June 7, 2007, at Santa Fe, New Mexico before Examiner David K. Brooks.

NOW, on this 13th day of June, 2007, 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 Delaware formation, bearing the designation of Hay Hollow-Delaware Pool (**Pool Code** 97596). The Hay Hollow-Delaware Pool was discovered by the BTA Oil Producers Owl 20504 **JV-P** Well No. 1 (**API** No. 30-015-34749) located in Unit K of Section 18, Township 26 South, Range 27 East, **NMPM**, which was completed in the Delaware formation on July 13, 2006. The top of the perforations is at 4,062 feet.

(3) 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 Salt Draw-Upper Pennsylvanian Gas Pool (Pool Code 97594). The Salt Draw-Upper Pennsylvanian Gas Pool was discovered by the **OGX** Resources, LLC **EKG** Fee Well No. 1 (**API** No. 30-015-33907) located in Unit E of Section 29, Township 24

South, Range 28 East, NMPM, which was completed in the Upper Pennsylvanian formation on May 23, 2006. The top of the perforations is at 11,010 feet.

(4) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the **Wolfcamp** formation, bearing the designation of South White City-Wolfcamp Gas Pool (Pool Code 97592). The South White City-Wolfcamp Gas Pool was discovered by the Samson Resources Company Pine Springs 2 State Well No. 1 (API No. 30-015-33562) located in Unit E of Section 2, Township 26 South, Range 25 East, NMPM, which was completed in the Wolfcamp formation on February 4, 2007. The top of the perforations is at 9,823 feet.

(5) There is need for extensions to the Artesia-Queen-Grayburg-San Andres Pool, the Avalon-Upper Pennsylvanian Gas Pool, the Bear Grass Draw-Abo Pool, the Big Sinks-Delaware Pool, the Black River-Morrow Gas Pool, the East Burton Flat-Morrow Gas Pool, the East Carlsbad-Morrow Gas Pool, the Cottonwood Creek-Wolfcamp Gas Pool, the West Cottonwood Creek-Wolfcamp Gas Pool, the Crooked Canyon-Atoka-Morrow Gas Pool, the Empire-Abo Pool, the Four Mile Draw-Wolfcamp Gas Pool, the Southwest Four Mile Draw-Wolfcamp Gas Pool, the Golden Lane-Atoka Gas Pool, the Hackberry Hills-Canyon Gas Pool, the Happy Valley-Morrow Gas Pool, the West Malaga-Morrow Gas Pool, the Mosley Canyon-Upper Pennsylvanian Gas Pool, the Nash Draw-Delaware/Bone Spring (Avalon Sand) Pool, the Penasco Draw-Permo Pennsylvanian Gas Pool, the East Pierce Crossing-Bone Spring Pool, the Rio Penasco-Wolfcamp Gas Pool, the Salt Draw-Atoka Gas Pool, the West Sand Dunes-Atoka Gas Pool, the West Sand Dunes-Delaware Pool, the Sand Tank-Morrow Gas Pool, the Sheep Draw-Strawn Gas Pool, the Tamano-Bone Spring Pool and the Willow Lake-Delaware Pool, all in Eddy County, New Mexico; and the Lake Arthur-Wolfcamp Gas Pool in Chaves County, New Mexico; and the Lusk-Bone Spring Pool in Lea County, New Mexico to include acreage in Eddy County, New Mexico.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Eddy County, New Mexico classified as an oil pool for Delaware production is hereby created and designated as the Hay Hollow-Delaware Pool (Pool Code 97596), consisting of the following described area:

TOWNSHIP 26 SOUTH, RANGE 27 EAST, NMPM
Section 18: SW/4

(b) A new pool in Eddy County, New Mexico classified as a gas pool for Upper Pennsylvanian production is hereby created and designated as the Salt Draw-Upper Pennsylvanian Gas Pool (Pool Code 97594), consisting of the following described area:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM
Section 29: N/2

(c) A new pool in Eddy County, New Mexico classified as a gas pool for Wolfcamp production is hereby created and designated as the South White City-Wolfcamp Gas Pool (**Pool Code 97592**), consisting of the following described area:

TOWNSHIP 26 SOUTH, RANGE 25 EAST, NMPM

Section 2: N/2

(d) The Artesia-Queen-Grayburg-San Andres Pool (**Pool Code 3230**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM

Section 2: E/2

(e) The Avalon-Upper Pennsylvanian Gas Pool (**Pool Code 71000**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM

Section 3: Lots 21 through 28

(f) The Bear Grass Draw-Abo Pool (**Pool Code 4980**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 24: E/2

(g) The Big Sinks-Delaware Pool (**Pool Code 5690**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 25 SOUTH, RANGE 31 EAST, NMPM

Section 33: S/2

Section 34: S/2

(h) The Black River-Morrow Gas Pool (**Pool Code 72170**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 27 EAST, NMPM

Section 8: E/2

Section 9: N/2

Section 10: NW/4

(i) The East Burton Flat-Morrow Gas Pool (**Pool Code 73320**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Section 33: E/2

(j) The East Carlsbad-Morrow Gas Pool (**Pool Code 73920**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM
Section 30: E/2

(k) The Cottonwood Creek-Wolfcamp Gas Pool (**Pool Code 75250**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 25 EAST, NMPM
Section 4: S/2
Section 5: Lots 9, 10, 15, 16 and Units I, J, O and P
Section 9: All
Section 16: All

(l) The West Cottonwood Creek-Wolfcamp Gas Pool (**Pool Code 75260**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 24 EAST, NMPM
Section 1: S/2
Section 11: NE/4

(m) The Crooked Canyon-Atoka-Morrow Gas Pool (**Pool Code 97158**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 21 EAST, NMPM
Section 32: W/2

(n) The Empire-Abo Pool (**Pool Code 22040**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 17: SE/4
Section 20: E/2
Section 29: NE/4

(o) The Four Mile Draw-Wolfcamp Gas Pool (**Pool Code 97415**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 23 EAST, NMPM
Section 30: All

(p) The Southwest Four Mile Draw-Wolfcamp Gas Pool (**Pool Code 97553**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 21 EAST, NMPM

Section 10: S.2

Section 11: All

(q) The Golden Lane-Atoka Gas Pool (Pool Code 77520) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM

Section 5: Lots 9 through 16

(r) The Hackberry Hills-Canyon Gas Pool (Pool Code 77920) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM

Section 29: S/2

(s) The Happy Valley-Morrow Gas Pool (Pool Code 78060) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM

Section 6: N/2

(t) The Lake Arthur-Wolfcamp Gas Pool (Pool Code 97574) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 14 SOUTH, RANGE 26 EAST, NMPM

Section 27: E/2

(u) The Lusk-Bone Spring Pool (Pool Code 41440) in Lea County, New Mexico is hereby extended to include the following acreage in Eddy County, New Mexico:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 12: SE/4

(v) The West Malaga-Morrow Gas Pool (Pool Code 80925) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM

Section 18: N/2

(w) The Mosley Canyon-Upper Pennsylvanian Gas Pool (Pool Code 97134) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 25 EAST, NMPM

Section 5: N/2

Section 6: N/2

(x) The Nash Draw-Delaware/Bone Spring (Avalon Sand) Pool (Pool Code 47545) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 12: NE/4

TOWNSHIP 24 SOUTH, RANGE 30 EAST, NMPM

Section 31: SW/4

TOWNSHIP 25 SOUTH, RANGE 30 EAST, NMPM

Section 6: NW/4

(y) The Penasco Draw-Permo Pennsylvanian Gas Pool (Pool Code 82775) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 12: S/2

Section 14: S/2

(z) The East Pierce Crossing-Bone Spring Pool (Pool Code 96473) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 36: W/2

TOWNSHIP 25 SOUTH, RANGE 29 EAST, NMPM

Section 1: N/2

TOWNSHIP 25 SOUTH, RANGE 30 EAST, NMPM

Section 6: NW/4

(aa) The Rio Penasco-Wolfcamp Gas Pool (Pool Code 97512) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 23 EAST, NMPM

Section 12: E/2

Section 13: E/2

(bb) The Salt Draw-Atoka Gas Pool (Pool Code 84415) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM

Section 28: NW/4

Section 29: N/2

(cc) The West Sand Dunes-Atoka Gas Pool (**Pool Code 84640**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 8: N/2

(dd) The West Sand Dunes-Delaware Pool (**Pool Code 53815**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 20: NE/4

Section 21: E/2 and NW/4

(ee) The Sand Tank-Morrow Gas Pool (**Pool Code 84872**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 26: E/2

(ff) The Sheep Draw-Strawn Gas Pool (**Pool Code 85200**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM

Section 9: W/2 and NE/4

Section 10: N/2

(gg) The Tamano-Bone Spring Pool (**Pool Code 58040**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 23: SW/4

(hh) The Willow Lake-Delaware Pool (**Pool Code 64453**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 25 SOUTH, RANGE 29 EAST, NMPM

Section 6: ' SE/4

IT IS FURTHER ORDERED THAT:

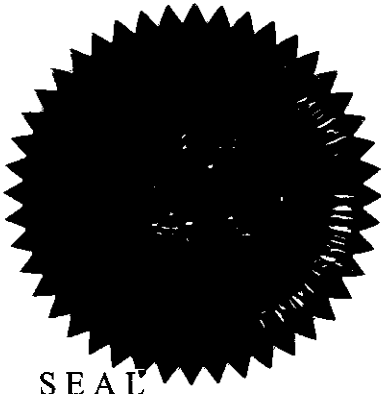
(1) Pursuant to Section 70-2-18, NMSA, 1978, an operator of any well that, by virtue of any of the above **pool** extensions, is subject to pool rules providing for

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 July 1, 2007.

(3) Jurisdiction of this case is hereby 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 black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director