

**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. 14284
ORDER NO. R-13110**

**APPLICATION OF BRANEX RESOURCES, INC. FOR APPROVAL OF A UNIT
AGREEMENT, CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 am on March 19, 2009, at Santa Fe, New Mexico, before Examiner Richard Ezeanyim.

NOW, on this 14th day of April, 2009, 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, Branex Resources, Inc., ("Branex" or "Applicant"), seeks approval of its Thunderhead Unit Area Agreement for all oil and gas in all formations from the surface to the base of the Strawn formation underlying the following-described 2,558.40 acres, more or less, of Federal, State, and Fee lands situated in Chaves County, New Mexico:

TOWNSHIP 4 SOUTH, RANGE 27 EAST, NMPM

Section 3: Lots 1-4, S/2 N/2, and S/2 (All)

Section 4: Lots 1-4, S/2 N/2, and S/2 (All)

Section 9: All

Section 10: All

(3) The Applicant presented testimony that demonstrates that:

- (a) One hundred (100%) percent of the interest owners within the Unit area are committed to the Unit;
- (b) The royalty interest ownership in the Thunderhead Unit Area is 67.19% Federal, 31.25% State, and 1.56% Fee lands;
- (c) There are no overriding royalty interests in the Unit Area;
- (d) The Commissioner of Public Lands and the Bureau of Land Management (BLM) have given preliminary approval for the proposed Unit; and
- (e) The primary target for the initial well will be the Strawn formation, but all formations will be evaluated down to the base of the Strawn formation.

(4) Branex Resources, Inc. requested that Primero Operating, Inc be designated the operator of the Thunderhead Unit Area.

(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 will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Thunderhead Unit Area Agreement executed by Branex Resources, Inc. is hereby approved for all oil and gas in all formations from the surface to the base of the Strawn formation underlying the following-described 2,558.40 acres, more or less, of Federal, State, and Fee lands situated in Chaves County, New Mexico:

TOWNSHIP 4 SOUTH, RANGE 27 EAST, NMPM

Section 3: Lots 1-4, S/2 N/2, and S/2 (All)
Section 4: Lots 1-4, S/2 N/2, and S/2 (All)
Section 9: All
Section 10: All

(2) Primero Operating, Inc. (OGRID 18100) is hereby designated the operator of the Thunderhead Unit Area.

(3) The plan contained in the Thunderhead Unit Area 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.

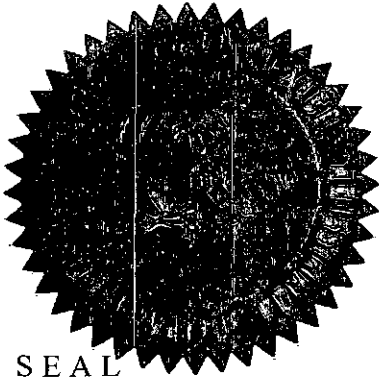
(4) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(5) 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.

(6) 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.

(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 dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director