

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. 13355
Order No. R-12222

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 October 7, 2004, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of October, 2004, 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 gas from the Morrow formation, bearing the designation of Cottonwood Draw-Morrow Gas Pool (Pool Code 97377). The Cottonwood Draw-Morrow Gas Pool was discovered by the Gruy Petroleum Management Company Liberty "24" Federal Com. Well No. 1 (API No. 30-015-33094) located in Unit E of Section 24, Township 25 South, Range 26 East, NMPM, which was completed in the Morrow formation on May 25, 2004. The top of the perforations is at 11,866 feet.

(3) There is need for the creation of a new pool in Eddy County, New Mexico for the production of oil from the Ordovician formation, bearing the designation of Henshaw-Ordovician Pool (Pool Code 97376). The Henshaw-Ordovician Pool was discovered by the Chesapeake Operating, Inc. Henshaw "A" Federal Well No. 1 (API No. 30-015-32891) located in Unit J of Section 14, Township 16 South, Range 30 East,

NMPM, which was completed in the Ordovician formation on June 12, 2004. The top of the perforations is at 12,574 feet.

(4) There is need for the creation of a new pool in Chaves County, New Mexico for the production of gas from the Pennsylvanian formation, bearing the designation of Huggins Draw-Pennsylvanian Gas Pool (**Pool Code 97374**). The Huggins Draw-Pennsylvanian Gas Pool was discovered by the Yates Petroleum Corporation Luther "BBN" Federal Com. Well No. 1 (**API No. 30-005-63548**) located in Unit O of Section 13, Township 5 South, Range 25 East, NMPM, which was completed in the Pennsylvanian formation on July 15, 2003. The top of the perforations is at 5,220 feet.

(5) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Morrow formation, bearing the designation of Pecos River-Morrow Gas Pool (**Pool Code 97375**). The discovery well is the Yates Petroleum Corporation Clarence "BCU" Well No. 1 (**API No. 30-015-33148**) located in Unit D of Section 14, Township 16 South, Range 26 East, NMPM, which was completed in the Morrow formation on July 27, 2004. The top of the perforations is at 7,678 feet.

(6) There is need for extensions to the Angell Ranch-Atoka-Morrow Gas Pool, the Artesia-Glorieta-Yeso Pool, the East Carlsbad-Morrow Gas Pool, the South Carlsbad-Morrow Gas Pool, the Crooked Creek-Morrow Gas Pool, the Fenton Draw-Strawn Pool, the Getty-Morrow Gas Pool, the Grayburg-Atoka Gas Pool, the Nash Draw-Delaware Pool, the Penasco Draw-Permo Pennsylvanian Gas Pool, the Red Lake Shores-Grayburg Pool, the North Shugart-Bone Spring Pool, and the Southwest Willow Lake-Delaware Pool, all in Eddy County, New Mexico; and the Foor Ranch-Pre-Permian Gas Pool, the Palma Mesa-Pennsylvanian Gas Pool, and the Pecos Slope-Abo Gas Pool, all in Chaves County, New Mexico.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Eddy County, New Mexico classified as a gas pool for Morrow production is hereby created and designated as the Cottonwood Draw-Morrow Gas Pool (**Pool Code 97377**), consisting of the following described area:

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM

Section 24: W/2

(b) A new pool in Eddy County, New Mexico classified as an oil pool for Ordovician production is hereby created and designated as the Henshaw-Ordovician Pool (**Pool Code 97376**), consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM

Section 14: SE/4

(c) A new pool in Chaves County, New Mexico classified as a gas pool for Pennsylvanian production is hereby created and designated as the Huggins Draw-Pennsylvanian Gas Pool (**Pool Code 97374**), consisting of the following described area:

TOWNSHIP 5 SOUTH, RANGE 25 EAST, NMPM
Section 13: E/2

TOWNSHIP 5 SOUTH, RANGE 26 EAST, NMPM
Section 18: SW/4
Section 19: NW/4 and S/2

(d) A new pool in Eddy County, New Mexico classified as a gas pool for Morrow production is hereby created and designated as the Pecos River-Morrow Gas Pool (**Pool Code 97375**), consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 26 EAST, NMPM
Section 14: W/2

(e) The Angell Ranch-Atoka-Morrow Gas Pool (**Pool Code 70310**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 5: W/2

(f) The Artesia-Glorieta-Yeso Pool (**Pool Code 96830**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 29: S/2

(g) The East Carlsbad-Morrow Gas Pool (**Pool Code 74160**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 2: S/2

(h) The South Carlsbad-Morrow Gas Pool (**Pool Code 73960**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 22: N/2

(i) The Crooked Creek-Morrow Gas Pool (**Pool Code 75400**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 24 EAST, NMPM

Section 32: S/2

(j) The Fenton Draw-Strawn Pool (Pool Code 24340) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM

Section 17: SW/4

(k) The Foor Ranch-Pre-Permian Gas Pool (Pool Code 76730) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM

Section 8: W/2

(l) The Getty-Morrow Gas Pool (Pool Code 77400) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM

Section 19: W/2

(m) The Grayburg-Atoka Gas Pool (Pool Code 77720) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 28: N/2

(n) The Nash Draw-Delaware Pool (Pool Code 47545) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 30 EAST, NMPM

Section 8: NW/4

(o) The Palma Mesa-Pennsylvanian Gas Pool (Pool Code 82550) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM

Section 24: All

(p) The Pecos Slope-Abo Gas Pool (Pool Code 82730) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 9 SOUTH, RANGE 24 EAST, NMPM

Section 26: SE/4

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

TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM
Section 28: E/2

(r) The Red Lake Shores-Grayburg Pool (Pool Code 97335) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 19: SE/4
Section 20: NW/4

(s) The North Shugart-Bone Spring Pool (Pool Code 56400) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Section 1: E/2

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

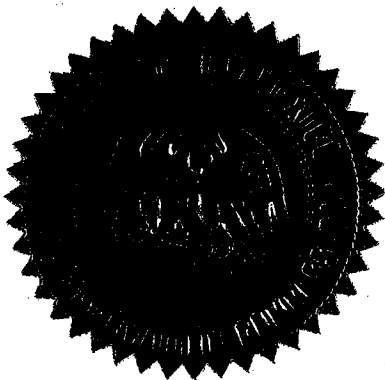
TOWNSHIP 25 SOUTH, RANGE 28 EAST, NMPM
Section 3: SW/4

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 November 1, 2004.

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

MARK E. FESMIRE, P.E.
Director