

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:

APPLICATION OF COBRA OIL & GAS
CORPORATION FOR A UNIT
AGREEMENT, LEA COUNTY, NEW
MEXICO.

CASE No. 11465

APPLICATION OF COBRA OIL & GAS
CORPORATION FOR AN
UNORTHODOX OIL WELL
LOCATION, LEA COUNTY, NEW
MEXICO.

CASE No. 11466

Order No. R-10554

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 8, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 4th day of March, 1996 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) At the time of the hearing the applicant in both Case Nos. 11465 and 11466, Cobra Oil & Gas Corporation ("Cobra"), requested that both cases be consolidated for the purposes of testimony.
- (3) In Case No. 11465 Cobra seeks approval of its Lewis Unit Agreement and Area for all oil and gas in any and all formations underlying the following described 80

EXHIBIT

2

acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM

Section 3: SW/4 SW/4

Section 4: SE/4 SE/4.

(4) In companion Case No. 11466 Cobra seeks to drill its initial well within the proposed Lewis Unit at an unorthodox oil well location 675 feet from the South line and 114 feet from the West line (Unit M) of said Section 3 to a depth sufficient to test the Devonian formation, being the primary objective for this well. The SW/4 SW/4 (Unit M) of said Section 3 is to be dedicated to said well to form a standard 40-acre oil spacing and proration unit.

(5) At the time of the hearing the applicant presented a geological interpretation based upon well control and surface seismic data of the Devonian formation in the immediate area which indicates that a well drilled at the proposed unorthodox location should penetrate a small localized structure within the Devonian formation at a more advantageous position than a well drilled at a standard oil well location within the subject 40-acre tract, thereby increasing the likelihood of obtaining commercial production.

(6) Approval of this application will afford the applicant the opportunity to test for and, if successful, produce its just and equitable share of the oil in the Devonian formation, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste.

(7) By combining the proposed 40-acre tract to the immediate offsetting 40 acres to the west, being the SE/4 SE/4 (Unit P) of said Section 4, into a single exploratory unit where all interest in the affected drainage area of this well will share, correlative rights are assured to be protected.

(8) No interested party appeared and objected to the proposed unit or to the drilling of the subject well at the proposed unorthodox oil well location.

(9) All plans of development and operation, and creations, expansions or contractions of participating areas, or expansions or contractions of the unit area should be submitted to the Director of the Division for approval.

IT IS THEREFORE ORDERED THAT:

(1) The Lewis Unit Agreement, executed by Cobra Oil & Gas Corporation, being the subject of Case No. 11465, is hereby approved for all oil and gas in any and all formations underlying the following described 80 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM

Section 3: SW/4 SW/4

Section 4: SE/4 SE/4.

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after 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, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All plans of development and operation, all unit participating areas and expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) This order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; this order shall terminate ipso facto upon the termination of said unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

IT IS FURTHER ORDERED THAT:

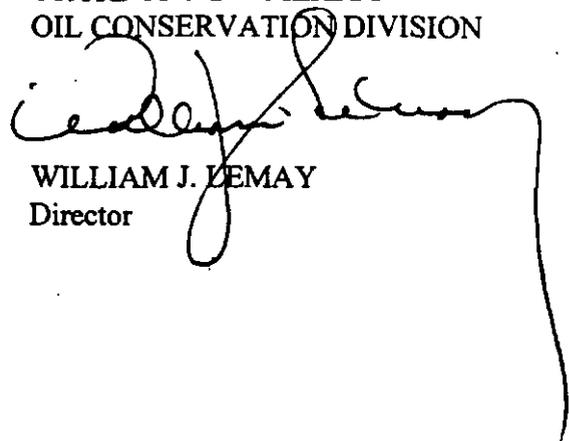
(6) The application of Cobra Oil & Gas Corporation in Case 11466 to drill its initial well within the subject Unit Area at an unorthodox oil well location 675 feet from the South line and 114 feet from the West line (Unit M) of Section 3, Township 10 South, Range 36 East, NMPM, in order to adequately test the Devonian formation, Lea County, New Mexico, is hereby approved.

(7) The SW/4 SW/4 of said Section 3 shall be dedicated to said well forming a standard 40-acre oil spacing and proration unit.

(8) Jurisdiction of this cause 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



WILLIAM J. DEMAY
Director

SEAL