

**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. 13527
ORDER NO. R-12431**

**APPLICATION OF NORTHSTAR OPERATING COMPANY FOR APPROVAL OF
A UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 8, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of October, 2005, 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) Division Cases No. 13527 and 13528 were consolidated at the hearing for the purpose of testimony.

(3) The applicant, NorthStar Operating Company ("applicant" or "NorthStar"), seeks approval of the East Denton (Wolfcamp) Unit Agreement for all oil and gas in any and all formations from the surface to the base of the Wolfcamp formation underlying the following-described 160 acres, more or less, of fee lands in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 38 EAST, NMPM,

Section 8:

E/2 NW/4, W/2 NE/4

(4) In companion Case No. 13528, NorthStar seeks approval to drill its Fort Well No. 1 at an unorthodox oil well location 2100 feet from the North line and 2500 feet from the East line (Unit G) of Section 8, Township 15 South, Range 38 East, NMPM, to test the Wolfcamp and Abo formations.

(5) The applicant presented evidence that demonstrates that:

- (a) the proposed unit area comprises two separate fee tracts of land, the E/2 NW/4 and the W/2 NE/4;
- (b) NorthStar is the lessee of both fee tracts; and
- (c) 100% of the working and royalty interest in the proposed East Denton (Wolfcamp) Unit area is committed to the unit by virtue of having signed the unit agreement or verbally indicating their intent to do so.

(6) NorthStar seeks approval of the East Denton (Wolfcamp) Unit area for the purpose of developing the oil and gas reserves in the Abo and Wolfcamp formations. The geologic evidence presented in Case No. 13528 shows that the target structure in the Wolfcamp/Abo interval lies within the approximate center of the southern half of the proposed unit area.

(7) The applicant further testified that there is a possibility that an additional well may be drilled in the northern half of the unit area at a later time.

(8) No other interested party appeared at the hearing or otherwise objected to the proposed unit.

(9) Approval of the proposed unit agreement should promote the prevention of waste and protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of NorthStar Operating Company, the East Denton (Wolfcamp) Unit Agreement is hereby approved for all oil and gas in any and all formations from the surface to the base of the Wolfcamp formation underlying the following-described 160 acres, more or less, of fee lands in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 38 EAST, NMPM,
Section 8: E/2 NW/4, W/2 NE/4

(2) The plan contained in the 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 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.

(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, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

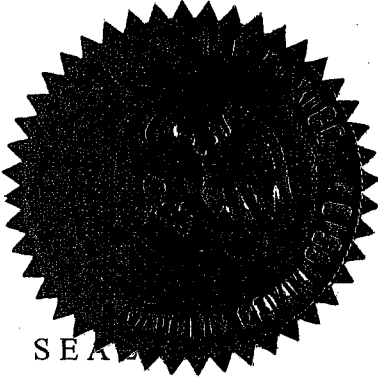
(4) All plans of (i) development and operation; (ii) creation, expansion or contraction of participating areas; or (iii) expansion or contraction of the unit area shall be submitted to the Director for approval.

(5) 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.


(6) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Case No. 13527
Order No. R-12431
Page 4

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P.E.
Director