

RED HILLS-WOLFCAMP GAS POOL
Lea County, New Mexico

Order No. R-3073, Adopting Operating Rules for the Red Hills-Wolfcamp Gas Pool, Lea County, New Mexico, June 2, 1966, as Amended by Order No. R-3073-A, April 28, 2000.

Application of Union Oil Company of California for Special Pool Rules, Lea County, New Mexico.

CASE NO. 3158
Order No. R-3073

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on May 18, 1966, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 2nd day of June, 1966, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That Case No. 3158 is reopened on the application of Union Oil Company of California as successor in interest to The Pure Oil Company, the original applicant in said case,

(3) That the applicant, Union Oil Company of California, seeks the promulgation of special rules and regulations for the Red Hills-Wolfcamp Gas Pool, Lea County, New Mexico, including a provision for 640-acre spacing units and specified well locations.

(4) That the applicant has established that one well in the Red Hills-Wolfcamp Gas Pool can efficiently and economically drain and develop 640 acres.

(5) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, special rules and regulations providing for 640-acre spacing units should be promulgated for the Red Hills-Wolfcamp Gas Pool.

(6) That the special rules and regulations should provide for limited well locations with certain exceptions in order to assure orderly development of the pool and protect correlative rights.

(7) That an exception to the proposed well location requirements of the special pool rules for the Red Hills-Wolfcamp Gas Pool should be granted the Red Hills Unit Well No. 1, located 330 feet from the South line and 2310 feet from the East line of Section 32, Township 25 South, Range 33 East, NMPM Lea County, New Mexico. Further, that an exception to said well location requirements should also be granted to a well to be drilled 990 feet from the North line and 1650 feet from the East line of Section 5, Township 26 South, Range 33 East, NMPM, Lea County, New Mexico.

IT IS THEREFORE ORDERED:

That Special Rules and Regulations for the Red Hills-Wolfcamp Gas Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
RED HILLS-WOLFCAMP GAS POOL**

RULE 1. Each well completed or recompleted in the Red Hills-Wolfcamp Gas Pool or in the Wolfcamp formation within one mile thereof, and not nearer to or within the limits of another designated Wolfcamp gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. (As Amended by Order No. R-3073-A, Effective April 28, 2000.) Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental quarter section. One infill well on a standard 640-acre unit shall be allowed provided that the well is located in a quarter section of the 640-acre unit not containing the initial well.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) The applicant presents written consent in the form of waivers from all offset operators to the non-standard unit.

(c) In lieu of paragraph (b) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. (As Amended by Order No. R-3073-A, Effective April 28, 2000.) Each well shall be located no closer than 660 feet to the outer boundary of the section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

IT IS FURTHER ORDERED:

(1) That the Red Hills Unit Well No. 1, located 330 feet from the South line and 2310 feet from the East line of Section 32, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico, is hereby granted an exception to the well location requirements contained herein.

(2) That an exception to the well location requirements contained herein is hereby granted to a well to be drilled 990 feet from the North line and 1650 feet from the East line of Section 5, Township 26 South, Range 33 East, NMPM, Lea County, New Mexico.

(3) That the operator of the aforesaid Red Hills Unit Well No. 1 shall file a new Form C-102 outlining thereon the acreage dedicated to said well within 10 days after receipt of this order.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

EXHIBIT 7