

**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 TO CONSIDER:**

**CASE NO. 15860
ORDER NO. R-14522**

**APPLICATION OF DGP ENERGY, LLC FOR APPROVAL OF THE GOLD
WOLF 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 October 26, 2017, before Examiner Scott A. Dawson at Santa Fe, New Mexico.

NOW, on this 12th day of December, 2017, 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 of the subject matter.

(2) DGP Energy, LLC ("DGP" or "Applicant") seeks:

(a) Approval of the Gold Wolf Unit (the "Unit"), a State voluntary exploratory unit comprising 1,115.52 acres, more or less, of State Trust lands in Lea County, New Mexico; and

(3) The Unit area will consist of the following-described acreage in Lea County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM

Section 24: N/2, SE/4

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 19: All

(4) The Unitized Substances include oil and gas in all formations of the Unitized lands.

(5) The primary target is oil and gas from the Pennsylvanian Shale/Wolfcamp "D" (Penn Shale) formation corresponding to the interval identified between the logged depths of 11,144 feet and 11,835 feet as shown in the Laterolog, Acoustic, and Porosity log run by Schlumberger on the State HO Com No. 1 well (API 30-025-27126), located in Section 19, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.

(6) The Unit will constitute a single Project Area in accordance with Division Rule 19.15.16.7(L)(2) NMAC.

(7) There are no other active oil and gas wells within the proposed Unit boundary.

(8) Applicant appeared at hearing through counsel and presented the following testimony:

- (a) The Unit will consist of three state tracts, comprising 100.00 percent of the Unit acreage.
- (b) The SW/4 of Section 24, Township 16 South, Range 34 East, NMPM is excluded from the Unit because the acreage is currently included in the Kemnitz Unit.
- (c) All interests in the Unit area are expected to be committed to the Unit.
- (d) The proposed Unit Agreement is on the State Land Office's ("SLO") online state/fee exploratory form.
- (e) The Unit agreement has received written preliminary approval from the SLO.
- (f) Applicant has provided notice of this application and hearing and a copy of the proposed unit agreement to all working interest and mineral owners within the unit.
- (g) No faults, pinch-outs or other geologic impediments exist to prevent the Unit from being developed.
- (h) The available well control demonstrates that the Target Interval identified in the type log is laterally continuous across the Unit.
- (i) These lands were chosen and are being proposed as the Unit area to facilitate the most efficient, uniform, and common development.

(j) Applicant expects to reduce surface disturbances by formation of this Unit.

(k) There are no existing horizontal wells within the Unit area.

(9) No other party entered an appearance in the case or indicated any opposition to approval of the application.

The Division concludes as follows:

(10) Applicant has provided proper and adequate notice of this application and of the hearing;

(11) The Unit will constitute a single Project Area for horizontal oil well development, pursuant to Division Rule 19.15.16.7(L)(2) NMAC:

(12) The geologic evidence presented demonstrates that the entire Unit should be productive within the Target Interval.

(13) Approval of the Unit will provide the Applicant flexibility to locate and drill wells in the Unit to maximize recovery of oil and gas, thereby preventing waste, and to conduct operations in an effective and efficient manner.

(14) The provisions contained within the Gold Wolf Unit Agreement comply with Division rules.

(15) The Gold Wolf Unit should be approved and should be effective on the first day of the month following the later of (i) the entry date of this order or (ii) the date on which final approval of the Gold Wolf Unit is obtained from the SLO.

(16) The plan contained within the Gold Wolf Unit Agreement for the development and operation of the Unit should be approved in principle as a proper conservation measure.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of DGP Energy, LLC ("Applicant" or "DGP"), the Gold Wolf Unit (the "Unit") consisting of 1,115.52 acres, more or less, of State lands in Lea County, New Mexico, is hereby approved.

(2) This order shall be effective on the first day of the month following the later of (i) the entry date of this order or (ii) the date on which final approval of the Gold Wolf Unit is obtained from the State Land Office ("SLO"). Copies of the final approval letters signed by the SLO shall be provided to the Division.

(3) The Unit shall comprise the following-described acreage in Lea County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM

Section 16: N/2, SE/4

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 19: All

(4) DGP Energy, LLC (OGRID 372583) is hereby designated the Unit operator.

(5) Pursuant to the Unit Agreement, the Unitized Interval shall include all oil and gas at all depths. The Target Interval is from the Pennsylvanian Shale/Wolfcamp "D" (Penn Shale) formation corresponding to the interval identified between the logged depths of 11,144 feet and 11,835 feet as shown in the Laterolog, Acoustic, and Porosity log run by Schlumberger on the State HO Com No. 1 well (API 30-025-27126), located in Section 19, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.

(6) The Unit shall constitute a single Project Area for horizontal oil well development pursuant to Division Rule 19.15.16.7(L)(2) NMAC;

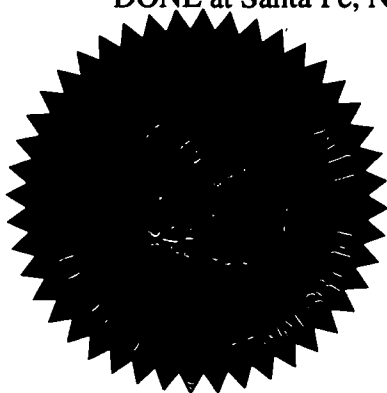
(7) The plan contained within the Gold Wolf Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or 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.

(8) The Unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 60 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 60 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(9) 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.

(10) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, reading "David R. Catanach". The signature is fluid and cursive, with the first name "David" being the most prominent.

DAVID R. CATANACH
Director