

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. 13753
Order No. R-12600

THE APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING, CONTRACTING
VERTICAL AND HORIZONTAL LIMITS, REDESIGNATING,
AND EXTENDING CERTAIN POOLS IN CHAVES AND LEA
COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 20, 2006, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 26th day of July, 2006, 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 Lea County, New Mexico for the production of oil from the Grayburg formation, bearing the designation of Southwest Arrowhead-Grayburg Pool (**Pool Code 97518**). The Southwest Arrowhead-Grayburg Pool was discovered by the Marathon Oil Company McDonald State AC 1-16 Well No. 1 (**API No. 30-025-31268**) located in Unit J of Section 16, Township 22 South, Range 36 East, NMPM, which was completed in the Grayburg formation on December 1, 2005. The top of the perforations is at 3,889 feet.

(3) There is need for the creation of a new pool in Lea County, New Mexico for the production of gas from the Strawn formation, bearing the designation of Button Mesa-Strawn Gas Pool (**Pool Code 97522**). The Button Mesa-Strawn Gas Pool was discovered by the Yates Petroleum Corporation Faron State Unit Well No. 1 (**API No.**

30-025-37075) located in Unit B of Section 5, Township 9 South, Range 32 East, NMPM, which was completed in the Strawn formation on April 20, 2006. The top of the perforations is at 10,393 feet.

(4) There is need for the creation of a new pool in Chaves County, New Mexico for the production of oil from the Wolfcamp formation, bearing the designation of Northwest Caprock-Wolfcamp Pool (**Pool Code 97509**). The Northwest Caprock-Wolfcamp Pool was discovered by the Read & Stevens Inc. Caprock 12 State Well No. 1 (**API No. 30-005-27936**) located in Unit L of Section 12, Township 12 South, Range 31 East, NMPM, which was completed in the Wolfcamp formation on January 12, 2006. The top of the perforations is at 8,652 feet.

(5) There is need for the creation of a new pool in Lea County, New Mexico for the production of gas from the Strawn formation, bearing the designation of High Plains-Strawn Gas Pool (**Pool Code 97515**). The High Plains-Strawn Gas Pool was discovered by the Yates Petroleum Corporation Mamalotes BAM Well No. 1 (**API No. 30-025-35899**) located in Unit P of Section 36, Township 14 South, Range 34 East, NMPM, which was completed in the Strawn formation on February 13, 2006. The top of the perforations is at 13,630 feet.

(6) There is need for the creation of a new pool in Lea County, New Mexico for the production of oil from the Glorieta formation, bearing the designation of Southeast Justis-Glorieta Pool (**Pool Code 97523**). The Southeast Justis-Glorieta Pool was discovered by the COG Operating LLC M D Self Well No. 5 (**API No. 30-025-12449**) located in Unit D of Section 6, Township 26 South, Range 38 East, NMPM, which was completed in the Glorieta formation on November 16, 2005. The top of the perforations is at 4,902 feet.

(7) There is need for the creation of a new pool in Lea County, New Mexico for the production of oil from the Upper Pennsylvanian formation, bearing the designation of East Ranger Lake-Upper Pennsylvanian Pool (**Pool Code 97527**). The East Ranger Lake-Upper Pennsylvanian Pool was discovered by the Yates Petroleum Corporation Ike State Unit Well No. 1 (**API No. 30-025-37402**) located in Unit E of Section 30, Township 12 South, Range 35 East, NMPM, which was completed in the Strawn formation on April 10, 2006. The top of the perforations is at 11,310 feet.

(8) There is need for the creation of a new pool in Lea County, New Mexico for the production of gas from the Mississippian formation, bearing the designation of X-4 Ranch-Mississippian Gas Pool (**Pool Code 97514**). The X-4 Ranch-Mississippian Gas Pool was discovered by the Yates Petroleum Corporation Merle State Unit Well No. 3 (**API No. 30-025-37545**) located in Unit P of Section 14, Township 10 South, Range 34 East, NMPM, which was completed in the Mississippian formation on March 15, 2006. The top of the perforations is at 12,152 feet.

(9) There is need for the creation of a new pool in Lea County, New Mexico for the production of gas from the Strawn formation, bearing the designation of

Northwest X-4 Ranch-Strawn Gas Pool (**Pool Code 97520**). The Northwest X-4 Ranch-Strawn Gas Pool was discovered by the Yates Petroleum Corporation Twitty BHF State Well No. 1 (**API No. 30-025-37466**) located in Unit J of Section 36, Township 9 South, Range 33 East, NMPM, which was completed in the Strawn formation on April 26, 2006. The top of the perforations is at 11,036 feet.

(10) There is need for the contraction of the vertical limits of the South Button Mesa-Upper Pennsylvanian Pool (**Pool Code 8380**) in Lea County, New Mexico to include only the Cisco and Canyon formations and the redesignation of the South Button Mesa-Upper Pennsylvanian Pool as the South Button Mesa-Cisco-Canyon Pool (**Pool Code 8380**).

(11) There is need for the contraction of the Hare-San Andres Gas Pool (**Pool Code 78080**) in Lea County, New Mexico in order to correct nomenclature. The deleted acreage will be placed in the Eunice-San Andres Pool (**Pool Code 24150**).

(12) There is need for the contraction of the East Lusk-Bone Spring Pool (**Pool Code 41442**) in Lea County, New Mexico in order to correct nomenclature. A portion of the deleted acreage will be placed in the South Lusk-Bone Spring Pool (**Pool Code 41460**).

(13) There is need for extensions to the East Anderson Ranch-Pennsylvanian Pool, the Anderson Ranch-Queen Pool, the South Baum-Wolfcamp Pool, the Bell Lake-Atoka Gas Pool, the Northwest Bootleg Ridge-Delaware Pool, the Cormac-San Andres Pool, the Eight Mile Draw-Mississippian Gas Pool, the Northwest Eight Mile Draw-Morrow Gas Pool, the EK-Bone Spring Pool, the Eunice-San Andres Pool, the South Eunice-San Andres Pool, the Southwest Eunice-San Andres Pool, the East Featherstone-Bone Spring Pool, the Four Lakes-Mississippian Gas Pool, the Garrett-Drinkard Pool, the Southeast Greenwood-Morrow Gas Pool, the East Hightower-Lower Pennsylvanian Pool, the House-Drinkard Pool, the West Hume-Grayburg Pool, the West Hume-Queen Pool, the Southwest Jabalina-Strawn Gas Pool, the Southeast Lane-Abo Pool, the North Lusk-Bone Spring Pool, the South Lusk-Bone Spring Pool, the East Lusk-Delaware Pool, the Lusk-Wolfcamp Pool, the East Maljamar-Paddock Pool, the Nadine-Drinkard-Abo Pool, the Osudo-Morrow Gas Pool, the South Osudo-Morrow Gas Pool, the Paddock Pool, the Paduca-Delaware Pool, the Penrose Skelly-Grayburg Pool, the North Ranger Lake-Atoka Gas Pool, the North Ranger Lake-Morrow Gas Pool, the Red Tank-Bone Spring Pool, the Sand Springs-Mississippian Gas Pool, the Saunders-Morrow Gas Pool, the Shoe Bar-Atoka Gas Pool, the Southeast Shoe Bar-Devonian Pool, the Teas-Pennsylvanian Gas Pool, the South Vacuum-McKee Gas Pool, the Vacuum-Morrow Gas Pool, the Weir-Drinkard Pool and the X-4 Ranch-Atoka Gas Pool, all in Lea County, New Mexico.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Lea County, New Mexico classified as an oil pool for Grayburg production is hereby created and designated as the Southwest Arrowhead-Grayburg Pool (**Pool Code 97518**), consisting of the following described area:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM

Section 16: SE/4

(b) A new pool in Lea County, New Mexico classified as a gas pool for Strawn production is hereby created and designated as the Button Mesa-Strawn Gas Pool (**Pool Code 97522**), consisting of the following described area:

TOWNSHIP 9 SOUTH, RANGE 32 EAST, NMPM

Section 5: E/2

(c) A new pool in Chaves County, New Mexico classified as an oil pool for Wolfcamp production is hereby created and designated as the Northwest Caprock-Wolfcamp Pool (**Pool Code 97509**), consisting of the following described area:

TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM

Section 12: SW/4

(d) A new pool in Lea County, New Mexico classified as a gas pool for Strawn production is hereby created and designated as the High Plains-Strawn Gas Pool (**Pool Code 97515**), consisting of the following described area:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM

Section 36: S/2

(e) A new pool in Lea County, New Mexico classified as an oil pool for Glorieta production is hereby created and designated as the Southeast Justis-Glorieta Pool (**Pool Code 97523**), consisting of the following described area:

TOWNSHIP 26 SOUTH, RANGE 38 EAST, NMPM

Section 6: NW/4

(f) A new pool in Lea County, New Mexico classified as an oil pool for Upper Pennsylvanian production is hereby created and designated as the East Ranger Lake-Upper Pennsylvanian Pool (**Pool Code 97527**), consisting of the following described area:

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM

Section 30: NW/4

(g) A new pool in Lea County, New Mexico classified as a gas pool for Mississippian production is hereby created and designated as the X-4 Ranch-Mississippian Gas Pool (**Pool Code 97514**), consisting of the following described area:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM

Section 14: E/2

(h) A new pool in Lea County, New Mexico classified as a gas pool for Strawn production is hereby created and designated as the Northwest X-4 Ranch-Strawn Gas Pool (**Pool Code 97520**), consisting of the following described area:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 36: S/2

(i) The vertical limits of the South Button Mesa-Upper Pennsylvanian Pool (**Pool Code 8380**) in Lea County, New Mexico are hereby contracted to include only the Cisco and Canyon formations, and the pool is hereby redesignated as the South Button Mesa-Cisco-Canyon Pool (**Pool Code 8380**).

(j) The Hare-San Andres Gas Pool (**Pool Code 78080**) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 27: SE/4 SW/4

(k) The Eunice-San Andres Pool (**Pool Code 24150**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 27: SE/4 SW/4

(l) The East Lusk-Bone Spring Pool (**Pool Code 41442**) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 27: SW/4
Section 34: NW/4

(m) The South Lusk-Bone Spring Pool (**Pool Code 41460**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 32: NE/4
Section 33: N/2
Section 34: N/2

(n) The East Anderson Ranch-Pennsylvanian Pool (**Pool Code 1720**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 3: Lots 1 and 2

(o) The Anderson Ranch-Queen Pool (**Pool Code 97027**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM
Section 14: SE/4

(p) The South Baum-Wolfcamp Pool (**Pool Code 4967**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
Section 28: SW/4
Section 33: W/2

(q) The Bell Lake-Atoka Gas Pool (**Pool Code 71720**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 30: SE/4

(r) The Northwest Bootleg Ridge-Delaware Pool (**Pool Code 6925**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM
Section 12: SW/4

(s) The Cormac-San Andres Pool (**Pool Code 13350**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM
Section 17: SE/4

(t) The Eight Mile Draw-Mississippian Gas Pool (**Pool Code 97015**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM
Section 21: E/2
Section 22: S/2

(u) The Northwest Eight Mile Draw-Morrow Gas Pool (**Pool Code 97190**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM
Section 21: E/2

(v) The EK-Bone Spring Pool (**Pool Code 21650**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

Section 36: SE/4

(w) The South Eunice-San Andres Pool (**Pool Code 24170**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 35: SW/4

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Section 1: W/2

(x) The Southwest Eunice-San Andres Pool (**Pool Code 24180**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Section 5: SW/4

Section 6: SE/4

Section 7: NE/4

Section 17: SW/4

(y) The East Featherstone-Bone Spring Pool (**Pool Code 24270**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM

Section 19: N/2

(z) The Four Lakes-Mississippian Gas Pool (**Pool Code 97053**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM

Section 6: N/2

(aa) The Garrett-Drinkard Pool (**Pool Code 27130**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 38 EAST, NMPM

Section 30: SW/4

Section 31: W/2

(bb) The Southeast Greenwood-Morrow Gas Pool (**Pool Code 97224**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM

Section 5: N/2

Section 6: NE/4

(cc) The East Hightower-Lower Pennsylvanian Pool (**Pool Code 31390**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 12 SOUTH, RANGE 33 EAST, NMPM

Section 25: SE/4

Section 36: NE/4

(dd) The House-Drinkard Pool (**Pool Code 33250**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM

Section 35: NE/4

(ee) The West Hume-Grayburg Pool (**Pool Code 97444**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM

Section 15: NE/4

(ff) The West Hume-Queen Pool (**Pool Code 33560**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM

Section 24: NW/4

(gg) The Southwest Jabalina-Strawn Gas Pool (**Pool Code 97332**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 26 SOUTH, RANGE 34 EAST, NMPM

Section 25: N/2 and SW/4

Section 26: E/2

(hh) The Southeast Lane-Abo Pool (**Pool Code 36676**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM

Section 14: W/2 and SE/4

(ii) The North Lusk-Bone Spring Pool (**Pool Code 41450**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM

Section 30: S//2

(jj) The East Lusk-Delaware Pool (**Pool Code 41520**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 34: N/2

Section 35: NW/4

(kk) The Lusk-Wolfcamp Pool (**Pool Code 41600**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 8: NE/4

Section 9: W/2

(ll) The East Maljamar-Paddock Pool (**Pool Code 97417**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM

Section 24: NE/4

(mm) The Nadine-Drinkard-Abo Pool (**Pool Code 47510**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 3: N/2

(nn) The Osudo-Morrow Gas Pool (**Pool Code 82120**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 35 EAST, NMPM

Section 18: SW/4

(oo) The South Osudo-Morrow Gas Pool (**Pool Code 82200**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 35 EAST, NMPM

Section 28: N/2

(pp) The Paddock Pool (**Pool Code 49210**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 22: NE/4

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Section 24: SW/4

(qq) The Paduca-Delaware Pool (**Pool Code 49460**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 25 SOUTH, RANGE 32 EAST, NMPM

Section 16: NW/4

(rr) The Penrose Skelly-Grayburg Pool (**Pool Code 50350**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Section 17: NE/4 NW/4, S/2 NW/4, N/2 SW/4 and
SW/4 SW/4

(ss) The North Ranger Lake-Atoka Gas Pool (**Pool Code 97349**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM

Section 18: N/2

(tt) The North Ranger Lake-Morrow Gas Pool (**Pool Code 97362**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM

Section 13: W/2

Section 24: NW/4

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM

Section 19: SW/4

Section 30: W/2

(uu) The Red Tank-Bone Spring Pool (**Pool Code 51683**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM

Section 12: NW/4

(vv) The Sand Springs-Mississippian Gas Pool (**Pool Code 97125**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM

Section 35: W/2

(ww) The Saunders-Morrow Gas Pool (**Pool Code 84875**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM
Section 34: E/2

(xx) The Shoe Bar-Atoka Gas Pool (**Pool Code 85210**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 25: SE.4

(yy) The Southeast Shoe Bar-Devonian Pool (**Pool Code 97438**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 36 EAST, NMPM
Section 3: SW/4

(zz) The Teas-Pennsylvanian Gas Pool (**Pool Code 86040**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM
Section 15: S/2

(aaa) The South Vacuum-McKee Gas Pool (**Pool Code 97368**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 22: SE/4 and W/2
Section 35: S/2

(bbb) The Vacuum-Morrow Gas Pool (**Pool Code 86840**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 33: S/2

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 3: W/2
Section 4: NE/4
Section 5: SE/4

(ccc) The Weir-Drinkard Pool (**Pool Code 63840**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 15: SW/4

Section 16: SE/4

(ddd) The X-4 Ranch-Atoka Gas Pool (**Pool Code 97090**) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM

Section 32: W/2

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM

Section 1: S/2

Section 2: E/2

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM

Section 5: NW/4

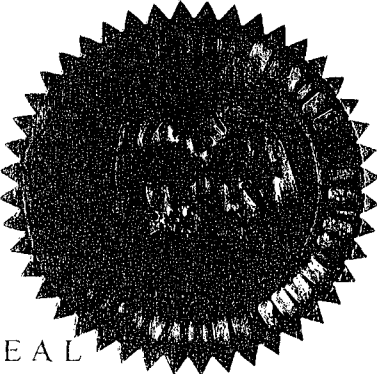
Section 6: SW/4

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, contractions of vertical and horizontal limits, redesignations and extensions included herein shall be August 1, 2006.

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

MARK E. FESMIRE, P.E.
Director