

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. 14004
Order No. R-12831

THE APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING, CONTRACTING
AND EXTENDING CERTAIN POOLS IN CHAVES AND
EDDY COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 3, 2007, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 22nd day of October, 2007, 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 Eddy County, New Mexico for the production of gas from the Wolfcamp formation, bearing the designation of Bunting Ranch-Wolfcamp Gas Pool (**Pool Code 97605**). The Bunting Ranch-Wolfcamp Gas Pool was discovered by the Parallel Petroleum Corporation Drewford's Boom Box 1921-1 State Com. Well No. 1 (**API No. 30-015-35134**) located in Unit D of Section 19, Township 19 South, Range 21 East, NMPM, which was completed in the Wolfcamp formation on February 9, 2006. The top of the perforations is at 4,210 feet.

(3) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Chester formation, bearing the designation of Cemetery-Chester Gas Pool (**Pool Code 97624**). The Cemetery-Chester Gas Pool was discovered by the Yates Petroleum Corporation Conoco AGX Deep Federal Well No. 4 (**API No. 30-015-26735**) located in Unit A of Section 26, Township 20 South, Range 24.

East, NMPM, which was completed in the Chester formation on June 14, 2007. The top of the perforations is at 9,532 feet.

(4) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Atoka formation, bearing the designation of Goar Corral-Atoka Gas Pool (**Pool Code 97606**). The Goar Corral-Atoka Gas Pool was discovered by the Marbob Energy Corporation Mule 24 Federal Com. Well No. 2 (**API No. 30-015-21203**) located in Unit G of Section 24, Township 24 South, Range 25 East, NMPM, which was completed in the Atoka formation on March 13, 2007. The top of the perforations is at 10,952 feet.

(5) There is need for the creation of a new pool in Chaves County, New Mexico for the production of gas from the Wolfcamp formation, bearing the designation of Hagerman Canal-Wolfcamp Gas Pool (**Pool Code 97604**). The Hagerman Canal-Wolfcamp Gas Pool was discovered by the Parallel Petroleum Corporation War Cloud 1425-36 State Com. Well No. 1 (**API No. 30-005-63881**) located in Unit P of Section 36, Township 14 South, Range 25 East, NMPM, which was completed in the Wolfcamp formation on February 28, 2007. The top of the perforations is at 5,490 feet.

(6) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Wolfcamp formation, bearing the designation of West Hay Hollow-Wolfcamp Gas Pool (**Pool Code 97625**). The West Hay Hollow-Wolfcamp Gas Pool was discovered by the Chesapeake Operating, Inc. Hayhurst 16 State Well No. 1 (**API No. 30-015-35114**) located in Unit P of Section 16, Township 25 South, Range 27 East, NMPM, which was completed in the Wolfcamp formation on April 4, 2007. The top of the perforations is at 10,196 feet.

(7) There is need for the creation of a new pool in Eddy County, New Mexico for the production of oil from the Abo formation, bearing the designation of Ishee Lake-Abo Pool (**Pool Code 97627**). The Ishee Lake-Abo Pool was discovered by the Mack Energy Corporation Bears Federal Well No. 1 (**API No. 30-015-35409**) located in Lot 16 of Section 6, Township 16 South, Range 29 East, NMPM, which was completed in the Abo formation on April 20, 2007. The top of the perforations is at 6,938 feet.

(8) There is need for the creation of a new pool in Eddy County, New Mexico for the production of oil from the San Andres formation, bearing the designation of Ishee Lake-San Andres Pool (**Pool Code 97628**). The Ishee Lake-San Andres Pool was discovered by the Mack Energy Corporation Colts Federal Well No. 1 (**API No. 30-015-35410**) located in Lot 16 of Section 5, Township 16 South, Range 29 East, NMPM, which was completed in the San Andres formation on April 26, 2007. The top of the perforations is at 2,783 feet.

(9) There is need for the creation of a new pool in Eddy County, New Mexico for the production of oil from the Wolfcamp formation, bearing the designation of Northeast Loco Hills-Wolfcamp Pool (**Pool Code 97639**). The Northeast Loco Hills-Wolfcamp Pool was discovered by the Cimarex Energy Company of Colorado Keely 26

Federal Well No. 1 (**API No. 30-015-35025**) located in Unit G of Section 26, Township 17 South, Range 29 East, NMPM, which was completed in the Wolfcamp formation on November 17, 2006. The top of the perforations is at 9,078 feet.

(10) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Strawn formation, bearing the designation of Salt Draw-Strawn Gas Pool (**Pool Code 97638**). The Salt Draw-Strawn Gas Pool was discovered by the Marbob Energy Corporation Moody Fee Com. Well No. 1 (**API No. 30-015-34638**) located in Unit P of Section 18, Township 25 South, Range 28 East, NMPM, which was completed in the Strawn formation on April 22, 2007. The top of the perforations is at 11,694 feet.

(11) There is need for the creation of a new pool in Chaves County, New Mexico for the production of gas from the Wolfcamp formation, bearing the designation of Walnut Creek-Wolfcamp Gas Pool (**Pool Code 97631**). The Walnut Creek-Wolfcamp Gas Pool was discovered by the Parallel Petroleum Corporation Forego 1525-16 Well No. 1 (**API No. 30-005-63830**) located in Unit B of Section 16, Township 15 South, Range 25 East, NMPM, which was completed in the Wolfcamp formation on November 16, 2006. The top of the perforations is at 5,240 feet.

(12) There is need for the contraction of the South Loving-Delaware Pool (**Pool Code 40380**) in Eddy County, New Mexico in order to correct nomenclature. The deleted acreage will be placed in the East Loving-Brushy Canyon Pool (**Pool Code 40350**).

(13) There is need for extensions to the Azotea Mesa-Bone Spring Pool, the Buzzard Canyon-Wolfcamp Gas Pool, the South Carlsbad-Morrow Gas Pool, the Cass Draw-Delaware Pool, the Cemetery-Morrow Gas Pool, the Collins Ranch-Wolfcamp Gas Pool, the Northwest Corral Canyon-Delaware Pool, the Cottonwood Creek-Wolfcamp Gas Pool, the West Cottonwood Creek-Wolfcamp Gas Pool, the Dagger Draw-Wolfcamp Gas Pool, the North Duffield-Strawn Gas Pool, the Eagle Creek-Wolfcamp Gas Pool, the Four Mile Draw-Wolfcamp Gas Pool, the Southwest Four Mile Draw-Wolfcamp Gas Pool, the Horseshoe Bend-Morrow Gas Pool, the Laguna Salado-Atoka Gas Pool, the McKittrick Canyon-Upper Pennsylvanian Gas Pool, the Nash Draw-Morrow Gas Pool, the Sand Tank-Bone Spring Pool, the North Seven Rivers-Wolfcamp Gas Pool and the Sheep Draw-Morrow Gas Pool, all in Eddy County, New Mexico; and the Coyote-Wolfcamp Gas Pool and the Sand Draw-Abo Gas Pool, both in Chaves County, New Mexico.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Eddy County, New Mexico classified as a gas pool for Wolfcamp production is hereby created and designated as the Bunting Ranch-Wolfcamp Gas Pool (**Pool Code 97605**), consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 21 EAST, NMPM

Section 19: N/2

(b) A new pool in Eddy County, New Mexico classified as a gas pool for Chester production is hereby created and designated as the Cemetery-Chester Gas Pool **(Pool Code 97624)**, consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Section 26: E/2

(c) A new pool in Eddy County, New Mexico classified as a gas pool for Atoka production is hereby created and designated as the Goar Corral-Atoka Gas Pool **(Pool Code 97606)**, consisting of the following described area:

TOWNSHIP 24 SOUTH, RANGE 25 EAST, NMPM

Section 24: E/2

(d) A new pool in Chaves County, New Mexico classified as a gas pool for Wolfcamp production is hereby created and designated as the Hagerman Canal-Wolfcamp Gas Pool **(Pool Code 97604)**, consisting of the following described area:

TOWNSHIP 14 SOUTH, RANGE 25 EAST, NMPM

Section 36: S/2

(e) A new pool in Eddy County, New Mexico classified as a gas pool for Wolfcamp production is hereby created and designated as the West Hay Hollow-Wolfcamp Gas Pool **(Pool Code 97625)**, consisting of the following described area:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM

Section 16: E/2

(f) A new pool in Eddy County, New Mexico classified as an oil pool for Abo production is hereby created and designated as the Ishee Lake-Abo Pool **(Pool Code 97627)**, consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM

Section 6: Lots 9, 10, 15 and 16

(g) A new pool in Eddy County, New Mexico classified as an oil pool for San Andres production is hereby created and designated as the Ishee Lake-San Andres Pool **(Pool Code 97628)**, consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM

Section 5: Lots 9, 10, 15 and 16

(h) A new pool in Eddy County, New Mexico classified as an oil pool for Wolfcamp production is hereby created and designated as the Northeast Loco Hills-Wolfcamp Pool (**Pool Code 97639**), consisting of the following described area:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 26: NE/4

(i) A new pool in Eddy County, New Mexico classified as a gas pool for Strawn production is hereby created and designated as the Salt Draw-Strawn Gas Pool (**Pool Code 97638**), consisting of the following described area:

TOWNSHIP 25 SOUTH, RANGE 28 EAST, NMPM
Section 18: S/2

(j) A new pool in Chaves County, New Mexico classified as a gas pool for Wolfcamp production is hereby created and designated as the Walnut Creek-Wolfcamp Gas Pool (**Pool Code 97631**), consisting of the following described area:

TOWNSHIP 15 SOUTH, RANGE 25 EAST, NMPM
Section 16: All
Section 17: S/2

(k) The South Loving-Delaware Pool (**Pool Code 40380**) in Eddy County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 16: All

(l) The East Loving-Brushy Canyon Pool (**Pool Code 40350**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 16: All

(m) The Azotea Mesa-Bone Spring Pool (**Pool Code 3740**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 25 EAST, NMPM
Section 3: E/2
Section 10: E/2

(n) The Buzzard Canyon-Wolfcamp Gas Pool (**Pool Code 97127**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 21 EAST, NMPM

Section 22: S/2

Section 23: S/2

(o) The South Carlsbad-Morrow Gas Pool (**Pool Code 73960**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 25 EAST, NMPM

Section 24: E/2

(p) The Cass Draw-Delaware Pool (**Pool Code 10410**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM

Section 23: SW/4

(q) The Cemetery-Morrow Gas Pool (**Pool Code 74640**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM

Section 21: E/2

(r) The Collins Ranch-Wolfcamp Gas Pool (**Pool Code 75010**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM

Section 26: W/2

Section 27: E/2

(s) The Northwest Corral Canyon-Delaware Pool (**Pool Code 13365**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 35: SW/4

(t) The Cottonwood Creek-Wolfcamp Gas Pool (**Pool Code 75250**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 15 SOUTH, RANGE 25 EAST, NMPM

Section 32: All

TOWNSHIP 16 SOUTH, RANGE 25 EAST, NMPM

Section 2: Lots 3 through 6, Lots 11 through 14, and
Unit Letters K, L, M and N

Section 3: S/2

Section 19: E/2

(u) The West Cottonwood Creek-Wolfcamp Gas Pool (**Pool Code 75260**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 24 EAST, NMPM
Section 1: Lots 1 through 12

(v) The Coyote-Wolfcamp Gas Pool (**Pool Code 97361**) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 12 SOUTH, RANGE 26 EAST, NMPM
Section 11: All

(w) The Dagger Draw-Wolfcamp Gas Pool (**Pool Code 75960**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 26: S/2
Section 35: All

(x) The North Duffield-Strawn Gas Pool (**Pool Code 96621**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM
Section 4: Lots 11 through 14, and
Unit Letters K, L, M and N
Section 9: NW/4

(y) The Eagle Creek-Wolfcamp Gas Pool (**Pool Code 96622**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 24 EAST, NMPM
Section 33: W/2

(z) The Four Mile Draw-Wolfcamp Gas Pool (**Pool Code 97415**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 23 EAST, NMPM
Section 29: S/2

(aa) The Southwest Four Mile Draw-Wolfcamp Gas Pool (**Pool Code 97553**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 21 EAST, NMPM
Section 33: All

TOWNSHIP 19 SOUTH, RANGE 21 EAST, NMPM

Sections 2 through 4: All
Sections 8 and 9: All
Section 10: N/2
Section 14: All
Section 23: N/2

(bb) The Horseshoe Bend-Morrow Gas Pool (**Pool Code 78680**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM

Section 33: All

(cc) The Laguna Salado-Atoka Gas Pool (**Pool Code 79860**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM

Section 16: W/2

(dd) The McKittrick Canyon-Upper Pennsylvanian Gas Pool (**Pool Code 81080**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 25 EAST, NMPM

Section 14: E/2

(ee) The Nash Draw-Morrow Gas Pool (**Pool Code 81600**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM

Section 24: E/2

Section 25: E/2

(ff) The Sand Draw-Abo Gas Pool (**Pool Code 97418**) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 12 SOUTH, RANGE 26 EAST, NMPM

Section 2: SE/4

(gg) The Sand Tank-Bone Spring Pool (**Pool Code 96832**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Section 8: E/2

(hh) The North Seven Rivers-Wolfcamp Gas Pool (**Pool Code 97394**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 13: All

(ii) The Sheep Draw-Morrow Gas Pool (**Pool Code 85160**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM

Section 1: E/2

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM

Section 6: All

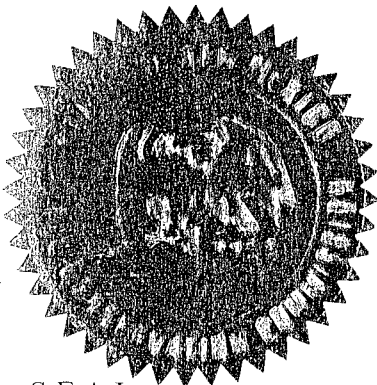
IT IS FURTHER ORDERED THAT:

(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 and extensions included herein shall be November 1, 2007.

(3) 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 black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director