

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION COMMISSION**

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION COMMISSION  
FOR THE PURPOSE OF CONSIDERING:**

**APPLICATION OF HARVEY E. YATES  
COMPANY FOR EXPANSION OF A UNIT  
AREA, OTERO COUNTY, NEW MEXICO.**

**Case No. 14000 (*de novo*)  
Order No. R-10527-A**

**POST-HEARING STATEMENT  
OF  
HARVEY E. YATES COMPANY**

This post-hearing statement is submitted by applicant Harvey E. Yates Company ("HEYCO") as requested by the Oil Conservation Commission.

**I. INTRODUCTION.**

The Bennett Ranch Unit Area (the "Unit"), an exploratory unit containing 8,856.90 acres of state and federal land, was approved by Division Order No. R-10527, dated December 12, 1995. In this case, HEYCO seeks to expand the Unit. The Commissioner of Public Lands (the "Land Office") preliminarily approved Unit expansion in September 2006, and the Bureau of Land Management (the "BLM") approved the expansion in August 2007. The Unit, as expanded, comprises 11,637.09 acres of state and federal lands covering all of Sections 1-3, 10-15, 22-27, 35, and 36, Township 26 South, Range 12 East, NMPM, and all of Sections 18, 19, 30, and 31, Township 26 South, Range 13 East, NMPM (as to all depths).

The Division, by Order No. R-10527-A, denied the application for expansion of the Unit. HEYCO seeks Commission approval of the expansion of the Unit. The application was heard *de*

*novo* on May 9, 2008, and at the conclusion of the hearing the Commission requested that the parties address the following issues:

- (i) The authority of the Division (and the Commission)<sup>1</sup> to approve exploratory units;
- (ii) Criteria for approval under the Oil and Gas Act; and
- (iii) The contents of an application necessary for approval.

For purposes of this memorandum, HEYCO breaks these issues into two headings: (a) the jurisdiction of the Division to approve exploratory units; and (b) assuming the Division has jurisdiction, the standards to obtain approval. The memorandum then discusses the evidence in this case, and the Division's order denying Unit expansion.

## II. AUTHORITY AND STANDARDS.

### A. Division Authority to Approve Exploratory Units.

The authority of the Division to approve, or deny approval, of exploratory units is uncertain. This is in contrast to the specific authority of the BLM and the Land Office to approve such units.

The authority of the BLM is set forth in 43 CFR Part 3180. **Exhibit A.** These regulations, adopted under the federal Mineral Leasing Act, provide for approval of exploratory units for "unproven areas." **43 CFR §3181.1.** The regulations also contain a model form exploratory unit agreement. **43 CFR Subpart 3186.** The Land Office has authority to approve exploratory units under NMSA 1978 §19-10-45. **Exhibit B.** This authority is reiterated in NMAC 19.2.100.51. **Exhibit C.** The Land Office also has forms for exploratory unit agreements, and such a form was used for the Unit (in New Mexico, the BLM uses the Land Office's form where state lands are involved).

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<sup>1</sup> For ease of reference, HEYCO will hereafter refer only to the Division.

The federal regulations provide that "Where State-owned land is to be unitized with federal lands, approval of the agreement by appropriate State officials must be obtained prior to its submission to the proper BLM office for final approval." **43 CFR §3181.4**. HEYCO submits that this provision pertains to Land Office approval, and not Division approval. That is because the regulation references "State-owned land," and it is the Land Office that owns the land, not the Division. And in fact, that is what happened here: The Land Office approved the Unit's expansion, and the BLM subsequently approved expansion. **HEYCO Hearing Exhibits 4, 5**.

The Land Office's regulations state that "In any matter respecting co-operative or unit agreements, the commissioner **may** postpone his decision pending action by the oil conservation division." **NMAC 19.2.100.51.D** (emphasis added). Thus, Division approval is not mandatory in order for the Land Office to approve a unit containing state land.

There is no specific Division authority to approve exploratory units. The Oil and Gas Act does not mention exploratory units. **See Exhibit D** (containing pertinent provisions of the Act). The enumeration of powers in NMSA 1978 §70-2-12 is silent on this issue. The Statutory Unitization Act, NMSA 1978 §70-7-1 *et seq.*, grants the Division specific authority to approve units, but only with respect to secondary recovery units. Moreover, Statutory Unitization is "forced" unitization, while exploratory units are voluntary agreements. There is no applicable Division regulation; the only regulation on units is Division Rule 507 (NMAC 19.15.7.507). However, that regulation pertains to approval of "contiguous **developed** proration units into a unitized area." Thus it is inapplicable to exploratory units.

Other states have specific statutes granting conservation agencies authority to approve voluntary units. **Kramer & Martin, The Law of Pooling and Unitization, §17.03**. Some of those acts are limited to secondary recovery projects (Texas), while others are broader (*e.g.*, Utah

and Wyoming). However, the Texas act also provides that "None of the provisions in this chapter restrict any of the rights that a person now may have to make and enter into unitization and pooling agreements." **Tex. Nat. Res. Code Ann. §100.002.** Voluntary unit agreements are valid even absent Railroad Commission approval.

Thus, if the Division maintains that it has authority to approve exploratory units, that authority must come from its general mandate to prevent waste and protect correlative rights. **NMSA 1978 §70-2-11.**

Besides lack of a statute or regulation on this issue, there is no specific New Mexico case authority. The closest case involves litigation over the Bravo Dome Carbon Dioxide Gas Unit. **Exhibit E** (Commission Order No. R-6446-B). In subsequent litigation concerning the formation of the unit, the federal courts gave preclusive effect to the Commission's order approving unitization. **Amoco Production Co. v. Heimann, 904 F. 2d 1405 (10<sup>th</sup> Cir. 1990).** However, it appears that the Commission's authority itself was not contested in the judicial proceeding. In addition, that unit differs from the present case in that fee lands were involved, and there is no body to oversee unitization approval for fee lands other than the Division.<sup>2</sup> Fee leases often contain unitization provisions in the following form:

Lessee shall have the right but not the obligation to commit all or any part of the leased premises or interest therein to one or more unit plans or agreements for the cooperative development or operation of one or more oil and/or gas reservoirs or portions thereof, if in lessee's judgment such plan or agreement will prevent waste and protect correlative rights, *and if such plan or agreement is approved by the federal, state or local governmental or tribal authority having jurisdiction.* When such a commitment is made, this lease shall be subject to the terms and conditions of the unit plan or agreement, including any formula prescribed therein for the allocation of production.

Absent such a provision, a fee owner could not be made subject to an exploratory unit without his or her written consent. State and federal leases do not contain such a provision, and an

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<sup>2</sup> The proceedings before the Commission in the Bravo Dome case were contested by fee mineral owners within the unit area, which also distinguishes that matter from the present case.

operator must obtain voluntary approvals of unit agreements from the Land Office and the BLM; Division approval of a unit agreement absent Land Office and/or BLM approval has no effect on those agencies.

At the hearing on May 9<sup>th</sup>, the Division relied on Section 2(d) of the Unit agreement as authority for it to approve Unit expansion. The Division's adherence to the Unit agreement is peculiar: Section 11 of the unit agreement also requires the Division to approve a participating area ("P.A."). However, a review of the Division's file in Case No. 11394 (incorporated in this case) shows that the Division has never approved the participating areas approved by the BLM and the Land Office. A history lesson is in order: Exhibit F is the final order in Case Nos. 11602 and 11603. In those cases, Bass Enterprises Production Company sought approval of expansions of the Atoka P.A. for the James Ranch Unit. After the Division approved the P.A. expansions, Enron Oil & Gas Company and Shell Western E&P, Inc. objected. Proceedings before Division, the BLM, and District Court ensued, and settlement was finally reached among the parties. However, ever since Case Nos. 11602 and 11603, the Division has never approved formation or expansion of P.A.'s (the Division does not disapprove them -- it simply never acts upon them). The Commission members may review files for units such as the San Juan 30-6 Unit, Rosa Unit, James Ranch Unit, and Poker Lake Unit, among others, and it will look in vain for P.A. approvals by the Division after 1997. Thus, the Division is picking and choosing (selectively) those situations when it conforms its practice to the language of unit agreements and the orders approving same.

Nonetheless, based on the foregoing, the Division may, and probably does, have the authority to approve exploratory units, but such approval is not required. Operators have routinely sought approval from the Division for exploratory and/or voluntary units, at least when

they contain state and/or fee land. **Exhibit G** (containing all orders issued by the Division since 2000 approving exploratory or voluntary units).<sup>3</sup> These orders all contain findings that approval should prevent waste and protect correlative rights. But, absent units containing fee lands or a requirement by the Land Office, HEYCO contends that Division approval of exploratory units is unnecessary.<sup>4</sup> However, the Division's practice in approving exploratory units must be examined.

B. Standards to Obtain Approval of an Exploratory Unit.

Based on the foregoing, the only standard for Division approval of an exploratory unit is prevention of waste and protection of correlative rights. **NMSA 1978 §70-2-11.** What does that entail? A look at the standards used by the BLM and Land Office give guidance in this case.

Federal lands constitute 90% of the Unit, so it is proper to look at the BLM's standards. As noted above, exploratory units pertain to unproven areas. To justify the unit area, the federal regulations require submission of geologic information by an operator. **43 CFR §3181.2.** The pre-eminent treatise on this subject describes the federal practice as follows:

The federal exploratory unit agreement deals with the lack of information by having a widely inclusive unit area boundary but sharing costs and production only from participating areas that are created when wells are drilled and geological information becomes available. **Thus, all of the lands that can be reasonably included in the unit area are included,** although the undrilled areas neither share in the benefits or costs of unitized production until such time as a well is drilled, confirming the existence or non-existence of unitized substances.

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<sup>3</sup> Exhibit G is approximately 100 pages long. References herein to Exhibit G page numbers refer to the numbers in the upper right or upper left corners of the pages.

<sup>4</sup> An exploratory unit can be compared to a joint operating agreement entered into by working interest owners (whether for one or more well units). It is a voluntary, contractual arrangement over which the Division's jurisdiction is limited.

In fact, many operators proceed with voluntary arrangements for lease operation without Division approval. BLM and Land Office regulations allow for "co-operative agreements" for the development of leases. **See Exhibit H** (state and federal leases were combined for a co-operative waterflood project; Division approval was obtained because of the Division's jurisdiction over water injection).

**Kramer & Martin, The Law of Pooling and Unitization, §17.01** (emphasis added). (The agreement for this Unit provides for participating areas.) Thus, an operator proposes to the BLM a unit area which might contain reservoir. This, of course, may be somewhat speculative, because of a lack of wells inside the unit area.

Second, to obtain BLM approval the operator must submit evidence of sufficient voluntary joinder of working interests and royalty interests. As a general rule, a minimum of 85% of the mineral interests must voluntarily join in the unit agreement to show "effective control" of the unit area by the operator. Thus, land evidence is also necessary.

The Land Office's standards are set forth in NMSA 1978 §19-10-46 (**Exhibit B**), and require the Land Office to find that that the agreement will promote conservation, the state beneficiary will receive its fair share of production, and the best interests of the state are served. As a practical matter, to obtain unit approval an operator submits the same type of information to the Land Office as is submitted to the BLM, and *vice versa*.

Finally, the type of evidence the Division has required for exploratory unit approval must be examined. Attached as **Exhibit I** is the transcript of a hearing in Division Case No. 14081, regarding an exploratory unit sought by Yates Petroleum Corporation covering federal, state, and fee lands. Please note two things: (i) This case was submitted by affidavit,<sup>5</sup> and a live witness was not required; and (ii) only basic geology, showing "all of the lands that can be reasonably included in the unit," and land testimony regarding voluntary joinder in the unit, was submitted to the Division. This application was approved by Order No. R-12911. **Exhibit G** (page 690).

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<sup>5</sup> Since early 2004 the Division has allowed evidence on exploratory units to be submitted by affidavit. Order Nos. R-12114 and R-12113. **Exhibit G** (pages 627, 628).

Thus, only basic information is required by the Division for approval of an exploratory unit.<sup>6</sup> (Hearing transcripts regarding the other exploratory unit orders contained in Exhibit G, which HEYCO requests be incorporated in the record in this case, contain the same basic information.) That is consistent with Land Office and BLM practice. And, that is logical: These are *exploratory* units, and only minimal geologic information is available.

### III. HEYCO'S EVIDENCE.

Based on the above principles, the evidence presented in this case must be examined. This case is for unit expansion, rather than unit formation. However, the above standards should still apply. In fact, the same standards were used by the Land Office and the BLM in approving unit expansion as for Unit formation.

In support of its application HEYCO testified as to the following:

- a. The Unit is an exploratory unit, and the agreement covers all depths.
- b. The original unit boundary was formed based on a Fusselman (oil) prospect, spaced on 40 acres. HEYCO still plans further testing of the Fusselman formation.
- c. The Pennsylvanian formation was always a secondary objective in the Unit, and the two wells drilled in the Unit were gas (Canyon and Mississippian) completions. These formations are currently spaced on 160 acres under Division statewide regulations.
- d. After drilling two wells, development was halted by the BLM in 2002 or 2003. The BLM's Resource Management Plan ("RMP") was started by the BLM in 1998. The RMP was subsequently approved by the BLM, but the State of New Mexico filed suit against the federal government over the RMP. Thus, HEYCO has not been allowed to lay pipelines, produce its wells, or drill additional wells for over 5 years.
- e. HEYCO proposed to the BLM to develop one Canyon or Mississippian gas well per 640 acres, and that proposal was accepted by the BLM. Unit expansion conforms to the RMP.
- f. A P.A. is the area proved reasonably productive of unitized substances in paying quantities.

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<sup>6</sup> The only times more detailed technical information is submitted at a hearing on a voluntary unit is when secondary recovery is involved. **Exhibit G** (pages 595, 605, 642).

g. Pursuant to the unit agreement, a Canyon P.A. and Mississippian P.A. have been formed and approved by the Land Office and BLM, and subsequently expanded. Despite only two wells being drilled in the Unit, the two P.A.'s collectively cover about 65% of the 11,637.09 acres in the expanded unit. The P.A.'s encompass entire sections of land.

h. The Canyon reservoir is productive over the southern part of the expanded Unit, and the Mississippian reservoir is productive over the northern part of the expanded Unit. The full extent of the Canyon and Mississippian reservoirs have not been determined.

i. A third probable reservoir, the Permo-Pennsylvanian, has also been identified but not developed.

j. The Unit is still in its exploratory phase. The reservoirs in the Unit have not been fully developed due to restrictions on drilling, and no acreage in the expanded Unit has been condemned.

k. Not enough exploration has been allowed to contract acreage out of the Unit.

l. The next proposed well in the Unit (Unit Well No. 6) is in the permitting process before the BLM.

m. Expanding the Unit conforms to either 160 acre spacing or 640 acre spacing.

The Unit agreement itself provides for expansion:

The above-described unit area shall, when practicable, be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed necessary or advisable to conform with the purposes of this agreement.

**Unit Agreement, Section 2.** The Land Office and BLM, **who own interests in the Unit,** deemed expansion advisable.

HEYCO has submitted all the land and geologic evidence necessary for unit approval or expansion, as required by statute, BLM regulations, and Land Office policies, **and Division precedent.** Thus, Unit expansion must be approved.

#### IV. THE DIVISION'S ORDER.

The Division's order denying Unit expansion must now be examined, and refuted. Finding Paragraphs 8(b)–8(e) and 9 of Order No. R-10527-A, which “justify” denial of

expansion, are attached as **Exhibit J**. These assertions, and the Division's position at the *de novo* hearing, are refuted point-by-point below:

a. Paragraph 8(b) concentrates on the Canyon reservoir, in the southern part of the Unit, to suggest that the Unit should be contracted. It ignores the Mississippian reservoir, in the northern part of the Unit, which has not been fully explored. Geologic testimony was presented by HEYCO at the *de novo* hearing regarding the need to include potentially productive lands in the Unit, and no contrary evidence was presented.<sup>7</sup>

This finding also ignores that the unit agreement, in Section 2, provides for automatic contraction once development ceases. Thus, ordering contraction at this time is contrary to the Unit agreement, and is premature in that it ignores the need for further development of the Unit.

b. Paragraph 8(c) states that HEYCO did not show how its well designs have changed to protect fresh water. Of course, wells in New Mexico are drilled through water-bearing zones daily. That is a well design issue, and has nothing to do with the geology and land evidence submitted for exploratory unit approval or expansion. This issue is being addressed in the permitting process at the BLM for Unit Well No. 6. (The BLM controls permitting of lands on federal acreage. While the Division could certainly give its input to the BLM, OCD hearings on the permitting of wells on federal lands -- as suggested by Division counsel -- would be novel, to say the least.) Even if the Unit was not expanded, HEYCO could apply for an APD on non-unitized land, which shows how irrelevant this issue is to unitization.

In reviewing Exhibit G, **none** of the exploratory unit orders denied unit approval due to the presence of water-bearing zones. The only order that mentions well design is on the Hueco South Unit, which provides that applications for permit to drill ("APD") wildcat wells shall be "reviewed by the Division Director." **Exhibit G** (page 678, Ordering Paragraph (6)). However, (i) that unit is a state/fee unit, and the Division approves APD's on such land, and (ii) unit approval was granted. Thus, this finding has never been used by the Division to deny unit approval.

c. Paragraph 8(d) asserts that gas well spacing should be increased to 640 acres, and the Division used that assertion to state that HEYCO did not present evidence on preventing harm to the correlative rights of owners outside the Unit. As noted above, HEYCO has proposed to the BLM development of one gas well per 640 acres. Regardless, this finding is wrong on so many levels it is hard to comprehend:

i. First, Division well spacing rules are designed to protect offsets who may be uncommitted to the Unit. If the Division thinks that new (statewide) spacing rules are necessary, it has the authority to address that issue in rule making proceedings.

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<sup>7</sup> The Division only presented a hydrologist, who was not qualified as an expert petroleum geologist.

ii. The Division has the authority to file, or require HEYCO to file, a spacing application for Unit wells. It has not done so.

iii. The Division (or Commission) could establish a buffer zone on the exterior of the Unit, as expanded, setting different well locations.

iv. To date, development has been on the interior of the Unit, on 100% committed tracts, and all interest owners in the P.A.'s will share in production. Thus, no one is adversely affected by the current spacing.

v. All acreage offsetting the expanded Unit is (1) unleased federal land, (2) unleased state land, and (3) a federal tract leased by HEYCO. All of said persons approve of the expanded Unit. Obviously they do not think their correlative rights on lands outside the Unit are adversely affected.

d. Paragraph 8(e) asserts that the change from an oil to a gas objective requires building pipelines, and HEYCO did not show this was practical or economic. Again, this finding is unsupportable: (i) this is an exploratory unit, comparable to drilling a (non-unit) wildcat well. The Division, does not require an operator drilling a wildcat well to submit well economics; (ii) the BLM does not require submission of unit economics; (iii) the Land Office does not require submission of unit economics; and (iv) the Division has never required submission of economics in approving an exploratory unit. **Exhibit G.** Moreover, until the Unit is developed, economics are and will be uncertain.

Finally, Paragraph 9 states that HEYCO did not present evidence to enable the Division to "determine whether approval of this application will prevent waste, protect correlative rights, and protect human health and the environment." Correlative rights have already been addressed. As to waste, unitization allows orderly development of the exploratory unit area. As one treatise states:

The objective of unitization is to provide for the unified development and operations of an entire geologic prospect ... so that exploration, drilling and production can proceed in the most efficient and economical manner by one operator.

**Rocky Mountain Mineral Law Foundation, Law of Federal Oil and Gas Leases, §18.02[1].**

Unitization allows wells to be drilled based on the geological knowledge gained as wells are drilled, rather than drilling to save leases, and which allows all parties to benefit from orderly development and prevention of waste. Not approving expansion may lead to waste.

The assertion as to human health and environment is puzzling. The statutory authority of the Division does not extend to such concerns, other than to ensure that wells are properly drilled and operated. Even if it did have such authority, HEYCO notes that drilling wells under its development proposal will lead to less surface use than the original unitization proposal of 40 acre oil development. Even if the Unit is not expanded, HEYCO is entitled to use so much of the (government-owned) surface as is necessary, per BLM and Land Office regulations, to develop its non-unitized leases. Unitization minimizes surface use. Therefore, approving expansion has no negative effect on health and human environment.

Longstanding Division practice was to approve exploratory units almost on a ministerial basis when unit agreements are unopposed by interest owners. **Exhibit G**. However, in this case the Division ignored all precedent, and the facts of the case, in order to deny Unit expansion. This is legally improper. Governmental agencies must not act arbitrarily or capriciously, and have an obligation to render consistent opinions, and to follow, distinguish, or overrule precedents. **Chisholm v. Defense Logistics Agency, 656 F. 2d 42 (3<sup>rd</sup> Cir. 1981)**. In this case, the division radically departed from its practice for the sole purpose of denying HEYCO's application. However, there has been no change in Division policy approving exploratory units: Exploratory unit orders issued after Order No. R-10527-A have conformed to longstanding precedent. **Exhibit G** (pages 678, 680).

The reason for denial of HEYCO's application is apparent: The State of New Mexico has filed a lawsuit to prevent implementation of the RMP, and has officially opposed the drilling of Unit Well No. 6. **Exhibit K**. Any action by HEYCO within the Unit will be contested by the Division and the State of New Mexico, regardless of the facts and the law. This is improper.<sup>8</sup>

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<sup>8</sup> The Division, at the *de novo* hearing, said it simply wanted HEYCO to prove its case. Then why actively oppose Unit expansion?

V. CONCLUSION.

Order No. R-10527-A is arbitrary and capricious, and is not supported by the law and the facts. It must be reversed and Unit expansion approved.

Respectfully submitted,



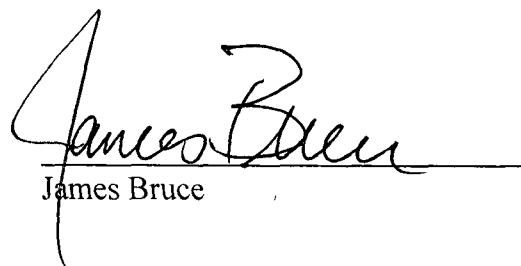
James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Harvey E. Yates Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading, with attached exhibits, was served upon the following counsel of record this 13<sup>th</sup> day of June, 2008 by hand delivery:

Mikal Altomare  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505



James Bruce

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**§ 3180.0-5 D**

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Subject to the supervisory authority of the Secretary of the Interior, the administration of the regulations in this part shall be under the jurisdiction of the authorized officer. In the exercise of his/her discretion, the authorized officer shall be subject to the direction and supervisory authority of the Director, Bureau of Land Management, who may exercise the jurisdiction of the authorized officer.

[48 FR 36587, Aug. 12, 1983]

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## EXHIBIT

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3186—Model Forms

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§3180.0-3 Authority.

The Mineral Leasing Act, as amended and supplemented (30 U.S.C. 181, 189, 226(e) and 226(j)), and Order Number 3087, dated December 3, 1982, as amended on February 7, 1983 (48 FR 8983), under which the Secretary consolidated and transferred the onshore minerals management functions of the Department, except mineral revenue functions and the responsibility for leasing of restricted Indian lands, to the Bureau of Land Management.

[48 FR 36587, Aug. 12, 1983]

§3180.0-5 Definitions.

The following terms, as used in this part or in any unit agreement approved under the regulations in this part, shall have the meanings here indicated unless otherwise defined in such unit agreement:

*Federal lease.* A lease issued under the Act of February 25, 1920, as amended (30 U.S.C. 181, *et seq.*); the Act of May 21, 1930 (30 U.S.C. 351-359); the Act of August 7, 1947 (30 U.S.C. 351, *et seq.*); or the Act of November 16, 1981 (Pub. L. 97-98, 95 Stat. 1070).

*Participating area.* That part of a unit area which is considered reasonably proven to be productive of unitized substances in paying quantities or which is necessary for unit operations and to which production is allocated in the manner prescribed in the unit agreement.

*Unit area.* The area described in an agreement as constituting the land logically subject to exploration and/or development under such agreement.

*Unitized land.* Those lands and formations within a unit area which are committed to an approved agreement or plan.

*Unitized substances.* Deposits of oil and gas contained in the unitized land which are recoverable in paying quantities by operation under and pursuant to an agreement.

*Working interest.* An interest held in unitized substances or in lands containing the same by virtue of a lease, operating agreement, fee title, or otherwise, under which, except as otherwise provided in the agreement, the owner of such interest is vested with the right to explore for, develop, and

§3181.2

produce such substances. The rights delegated to the unit operator by the unit agreement are not regarded as a working interest.

[48 FR 26766, June 10, 1983. Redesignated and amended at 48 FR 36587, Aug. 12, 1983; 51 FR 34603, Sept. 30, 1986]

Subpart 3181—Application for Unit Agreement

§3181.1 Preliminary consideration of unit agreement.

The model unit agreement set forth in §3186.1 of this title, is acceptable for use in unproven areas. Unique situations requiring special provisions should be clearly identified, since these and other special conditions may necessitate a modification of the model unit agreement set forth in §3186.1 of this title. Any proposed special provisions or other modifications of the model agreement should be submitted for preliminary consideration so that any necessary revision may be prescribed prior to execution by the interested parties. Where Federal lands constitute less than 10 percent of the total unit area, a non-Federal unit agreement may be used. Upon submission of such an agreement, the authorized officer will take appropriate action to commit the Federal lands.

§3181.2 Designation of unit area; depth of test well.

An application for designation of an area as logically subject to development under a unit agreement and for determination of the depth of a test well may be filed by a proponent of such an agreement at the proper BLM office. Such application shall be accompanied by a map or diagram on a scale of not less than 2 inches to 1 mile, outlining the area sought to be designated under this section. The Federal, State, Indian and privately owned land should be indicated by distinctive symbols or colors. Federal and Indian oil and gas leases and lease applications should be identified by lease serial numbers. Geologic information, including the results of any geophysical surveys, and any other available information showing that unitization is necessary and advisable in the public

interest should be furnished. All information submitted under this section is subject to part 2 of this title, which sets forth the rules of the Department of the Interior relating to public availability of information contained in Departmental records, as provided under this part at §3100.4 of this chapter. These data will be considered by the authorized officer and the applicant will be informed of the decision reached. The designation of an area, pursuant to an application filed under this section, shall not create an exclusive right to submit an agreement for such area, nor preclude the inclusion of such area or any party thereof in another unit area.

[48 FR 26766, June 10, 1983. Redesignated at 48 FR 36587, Aug. 12, 1983, and amended at 63 FR 52953, Oct. 1, 1998]

**§3181.3 Parties to unit agreement.**

The owners of any right, title, or interest in the oil and gas deposits to be unitized are regarded as proper parties to a proposed agreement. All such parties must be invited to join the agreement. If any party fails or refuses to join the agreement, the proponent of the agreement, at the time it is filed for approval, must submit evidence of reasonable effort made to obtain joinder of such party and, when requested, the reasons for such nonjoinders. The address of each signatory party to the agreement should be inserted below the signature. Each signature should be attested by at least one witness if not notarized. The signing parties may execute any number of counterparts of the agreement with the same force and effect as if all parties signed the same document, or may execute a ratification or consent in a separate instrument with like force and effect.

**§3181.4 Inclusion of non-Federal lands.**

(a) Where State-owned land is to be unitized with Federal lands, approval of the agreement by appropriate State officials must be obtained prior to its submission to the proper BLM office for final approval. When authorized by the laws of the State in which the unitized land is situated, appropriate provision may be made in the agreement, recognizing such laws to the extent

that they are applicable to non-Federal unitized land.

(b) When Indian lands are included, modification of the unit agreement will be required where appropriate. Approval of an agreement containing Indian lands by the Bureau of Indian Affairs must be obtained prior to final approval by the authorized officer.

**§3181.5 Compensatory royalty payment for unleased Federal land.**

The unit agreement submitted by the unit proponent for approval by the authorized officer shall provide for payment to the Federal Government of a 12½ percent royalty on production that would be attributable to unleased Federal lands in a PA of the unit if said lands were leased and committed to the unit agreement. The value of production subject to compensatory royalty payment shall be determined pursuant to 30 CFR part 206, provided that no additional royalty shall be due on any production subject to compensatory royalty under this provision.

[58 FR 58632, Nov. 2, 1993, as amended at 59 FR 16999, Apr. 11, 1994]

**Subpart 3182—Qualifications of Unit Operator**

**§3182.1 Qualifications of unit operator.**

A unit operator must qualify as to citizenship in the same manner as those holding interests in Federal oil and gas leases under the regulations at subpart 3102 of this title. The unit operator may be an owner of a working interest in the unit area or such other party as may be selected by the owners of working interests. The unit operator shall execute an acceptance of the duties and obligations imposed by the agreement. No designation of or change in a unit operator will become effective until approved by the authorized officer, and no such approval will be granted unless the successor unit operator is deemed qualified to fulfill the duties and obligations prescribed in the agreement.

are applicable to non-Federal land.

Indian lands are included, tion of the unit agreement required where appropriate. Approval of an agreement containing Indian lands by the Bureau of Indian Affairs must be obtained prior to final approval by the authorized officer.

#### **Compensatory royalty payable for unleased Federal land.**

If an agreement submitted by the applicant for approval by the authorized officer shall provide for payment of the Federal Government of a royalty on production that is attributable to unleased Federal lands in a PA of the unit if said lands are leased and committed to the unit agreement. The value of production subject to compensatory royalty shall be determined pursuant to part 206, provided that no additional royalty shall be due on any production subject to compensatory royalty under this provision.

532, 1992, 1993, as amended at 59 Apr. 11, 1994]

### **Part 3182—Qualifications of Unit Operator**

#### **Qualifications of unit operator.**

A unit operator must qualify as to ownership in the same manner as existing interests in Federal oil and gas leases under the regulations at 3102 of this title. The unit operator may be an owner of a working interest in the unit area or such other interest may be selected by the owners of the unit. The unit operator must execute an acceptance of the duties and obligations imposed by the unit. No designation of or change in the unit operator will become effective until approved by the authorized officer. No such approval will be granted if the successor unit operator is not qualified to fulfill the duties and obligations prescribed in the agree-

### **Subpart 3183—Filing and Approval of Documents**

#### **§ 3183.1 Where to file papers.**

All papers, instruments, documents, and proposals submitted under this part shall be filed in the proper BLM office.

[48 FR 26766, June 10, 1983. Redesignated at 48 FR 36587, Aug. 12, 1983, and amended at 51 FR 34603, Sept. 30, 1986]

#### **§ 3183.2 Designation of area.**

An application for designation of a proposed unit area and determination of the required depth of test well(s) shall be filed in duplicate. A like number of counterparts should be filed of any geologic data and any other information submitted in support of such application.

#### **§ 3183.3 Executed agreements.**

Where a duly executed agreement is submitted for final approval, a minimum of four signed counterparts should be filed. The number of counterparts to be filed for supplementing, modifying, or amending an existing agreement, including change of unit operator, designation of new unit operator, establishment or revision of a participating area, and termination shall be prescribed by the authorized officer.

#### **§ 3183.4 Approval of executed agreement.**

(a) A unit agreement shall be approved by the authorized officer upon a determination that such agreement is necessary or advisable in the public interest and is for the purpose of more properly conserving natural resources. Such approval shall be incorporated in a Certification-Determination document appended to the agreement (see § 3186.1 of this part for an example), and the unit agreement shall not be deemed effective until the authorized officer has executed the Certification-Determination document. No such agreement shall be approved unless the parties signatory to the agreement hold sufficient interests in the unit area to provide reasonably effective control of operations.

(b) The public interest requirement of an approved unit agreement for unproven areas shall be satisfied only if the unit operator commences actual drilling operations and thereafter diligently prosecutes such operations in accordance with the terms of said agreement. If an application is received for voluntary termination of a unit agreement for an unproven area during its fixed term or such an agreement automatically expires at the end of its fixed term without the public interest requirement having been satisfied, the approval of that agreement by the authorized officer and lease segregations and extensions under § 3107.3-2 of this title shall be invalid, and no Federal lease shall be eligible for extensions under § 3107.4 of this title.

(c) Any modification of an approved agreement shall require the prior approval of the authorized officer.

[53 FR 17365, May 16, 1988, as amended at 58 FR 58633, Nov. 2, 1993]

#### **§ 3183.5 Participating area.**

Two counterparts of a substantiating geologic report, including structure-contour map, cross sections, and pertinent data, shall accompany each application for approval of a participating area or revision thereof under an approved agreement.

[48 FR 26766, June 10, 1983. Redesignated at 48 FR 36587, Aug. 12, 1983, and further redesignated at 53 FR 17365, May 16, 1988]

#### **§ 3183.6 Plan of development.**

Three counterparts of all plans of development and operation shall be submitted for approval under an approved agreement.

[48 FR 26766, June 10, 1983. Redesignated at 48 FR 36587, Aug. 12, 1983, and further redesignated at 53 FR 17365, May 16, 1988]

#### **§ 3183.7 Return of approved documents.**

One approved counterpart of each instrument or document submitted for approval will be returned to the unit operator by the authorized officer or his representative, together with such

## §3185.1

additional counterparts as may have been furnished for that purpose.

[48 FR 26766, June 10, 1983. Redesignated at 48 FR 36587, Aug. 12, 1983, and amended at 51 FR 34603, Sept. 30, 1986. Further redesignated at 53 FR 17365, May 16, 1988]

### Subpart 3184 [Reserved]

### Subpart 3185—Appeals

#### §3185.1 Appeals.

Any party adversely affected by an instruction, order, or decision issued under the regulations in this part may request an administrative review before the State Director under §3165.3 of this title. Any party adversely affected by a decision of the State Director after State Director review may appeal that decision as provided in part 4 of this title.

[58 FR 58633, Nov. 2, 1993]

### Subpart 3186—Model Forms

#### §3186.1 Model onshore unit agreement for unproven areas.

##### Introductory Section

- 1 Enabling Act and Regulations.
- 2 Unit Area.
- 3 Unitized Land and Unitized Substances.
- 4 Unit Operator.
- 5 Resignation or Removal of Unit Operator.
- 6 Successor Unit Operator.
- 7 Accounting Provisions and Unit Operating Agreement.
- 8 Rights and Obligations of Unit Operator.
- 9 Drilling to Discovery.
- 10 Plan of Further Development and Operation.
- 11 Participation After Discovery.
- 12 Allocation of Production.
- 13 Development or Operation of Nonparticipating Land or Formations.
- 14 Royalty Settlement.
- 15 Rental Settlement.
- 16 Conservation.
- 17 Drainage.
- 18 Leases and Contracts Conformed and Extended.
- 19 Covenants Run with Land.
- 20 Effective Date and Term.
- 21 Rate of Prospecting, Development, and Production.
- 22 Appearances.
- 23 Notices.
- 24 No Waiver of Certain Rights.
- 25 Unavoidable Delay.
- 26 Nondiscrimination.
- 27 Loss of Title.

## 43 CFR Ch. II (10-1-07 Edition)

- 28 Nonjoinder and Subsequent Joinder.
- 29 Counterparts.
- 30 Surrender.<sup>1</sup>
- 31 Taxes.<sup>1</sup>
- 32 No Partnership.<sup>1</sup>

Concluding Section IN WITNESS WHEREOF.

General Guidelines.

Certification—Determination.

### UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE

Unit area \_\_\_\_\_  
County of \_\_\_\_\_  
State of \_\_\_\_\_  
No. \_\_\_\_\_

This agreement, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil and gas interests in the unit area subject to this agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Sec. 181 *et seq.*, authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating under a unit plan of development or operations of any oil and gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the parties hereto hold sufficient interests in the \_\_\_\_\_ Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions, and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the

<sup>1</sup>Optional sections (in addition the penultimate paragraph of Section 9 is to be included only when more than one obligation well is required and paragraph (h) of section 18 is to be used only when applicable).

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**19-10-45. Cooperative agreements for development or operation of oil and gas pools between lessees and others.**

For the purpose of more properly conserving the oil and gas resources of the state, the commissioner of public lands may consent to and approve the development or operation of state lands under agreements made by lessees of state land jointly or severally with other lessees of state lands, with lessees of the United States or with others, including the consolidation or combination of two or more leases of state lands held by the same lessee. The agreements may provide for one or more of the following: for the cooperative or unit operation or development of part or all of any oil or gas pool, field or area; for reduction of gas-oil ratios; for repressuring or secondary recovery operations, or for the storing of gas regardless of where such gas is produced, including the use of wells on state lands as input wells; for the allocation of production and the sharing of proceeds from the whole or any specified part of the area covered by the agreement on an acreage or other basis, regardless of the particular tract from which production is obtained or proceeds are derived; for considering for all purposes the drilling or operation of a well on any part of the area included in the agreement, as being drilled or operated on each tract included in the agreement; for the payment of advance royalties in such sum or sums as shall be fixed by the commissioner; or for commingling of oil or gas from a well or wells or from one or more leases.

**History:** 1941 Comp., § 8-1138, enacted by Laws 1943, ch. 88, § 1; 1953 Comp., § 7-11-39; Laws 1961, ch. 176, § 1.

**Cross references.** — For state participation in pooling and communitization agreements, see 19-10-53 NMSA 1978.

For cooperative development or operation of geothermal resources lands, see 19-13-14 NMSA 1978.

**Am. Jur. 2d, A.L.R. and C.J.S. references.** — Secondary recovery of oil and gas, 19 A.L.R.4th 1182.

**19-10-46. [Cooperative agreements; requisites for approval.]**

No such agreement shall be consented to or approved by the commissioner unless he finds that:

A. such agreement will tend to promote the conservation of oil or gas and the better utilization of reservoir energy;

B. under the operations proposed the state and each beneficiary of the lands involved will receive its fair share of the recoverable oil or gas in place under its lands in the area affected; and

C. the agreement is in other respects for the best interests of the state.

**History:** 1941 Comp., § 8-1139, enacted by Laws 1943, ch. 88, § 2; 1953 Comp., § 7-11-40; Laws 1961, ch. 176, § 2.

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EXHIBIT B

**19.2.100.51 NMAC CO-OPERATIVE AND UNIT AGREEMENTS**EXHIBIT C

**A. Purpose - Consent:** The commissioner may consent to and approve agreements made by lessees of state lands for any of the purposes enumerated in Section 19-10-45 NMSA 1978.

**B. Application - Requisites of Agreements:** Formal application shall be filed with the commissioner for approval of a co-operative or unit agreement at least twenty days in advance of the New Mexico oil conservation division's hearing date. The filing fee therefor shall be thirty dollars (\$30.00) for each section or fractional part thereof, whether the acreage is federal, state or privately owned. A unit agreement presented must have a unique unit name that will identify the agreement for so long as the agreement remains in effect and only under extraordinary circumstances will a unit name change be allowed after initial approval is granted. Applications for approval shall contain a statement of facts showing:

(1) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.

(2) That under the proposed unit operation, the state of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.

(3) That each beneficiary institution of the state of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.

(4) That such unit agreement is in other respects for the best interest of the trust.

**C. Information to be Furnished:**

(1) Complete geological and engineering data shall be presented with the application and the information offered for the commissioner's action must be in clear and understandable form. Such data shall be kept confidential by the commissioner pursuant to Section 19-1-2.1 NMSA 1978 for a period of six months or until the unit agreement is approved, whichever first occurs. Then such data will be made a permanent part of the records and open for public inspection. If for any reason such proposed agreement is not approved, then at the request of the applicant, the data shall be returned to the applicant.

(2) **Use of Fresh Water:** The use of fresh water in waterflood units is discouraged in the cases where salt water is practical. If an operator plans to use fresh water in a proposed unit, the following specific information should also be provided:

(a) Laboratory analyses of water compatibility tests (fresh vs. salt water).

(b) Reservoir analyses for swelling clays and soluble salts.

(c) Estimate of monthly make-up water required for operations.

(d) Location and depth of area salt water wells or quantities of produced water available for injection.

**D. Decision Postponed:** In any matter respecting co-operative and unit agreements, the commissioner may postpone his decision pending action by the oil conservation division and may use any information obtained by his own investigators, or obtained by the oil conservation division to enable him to act properly on the matter. The applicant shall deposit with the commissioner a sum of money estimated to be sufficient to meet the actual and necessary expenses of any investigation or inspection by representatives of the state land office.

**E. Leases Conformed:** When any co-operative or unit agreement has been approved by the commissioner and executed by the lessee, the terms and provisions of the lease, so far as they apply to lands within the unit area, are automatically amended to conform to the terms and provisions of

the co-operative agreement; otherwise, said terms and provisions shall remain in full force and effect.

**F.** Posting to tract books: In every case where a co-operative unit agreement is finally approved by the commissioner such agreement and the application therefor shall be entered upon the tract books of the state land office, filed and recorded, together with any order respecting the same issued by the New Mexico oil conservation division; any modification or dissolution of such co-operative or unit agreement shall be likewise entered and filed. The fees therefor shall be those regularly charged by the state land office for similar services.

**G.** Assignments: No assignment of acreage under lease within any unitized or co-operative area will be approved by the commissioner unless the assignment is subject to the provisions of the co-operative or unit agreement covering the area within which the acreage sought to be assigned lies, or unless the commissioner and all parties to the co-operative agreement agree, in writing, that such acreage is not needed for proper co-operative operations.

**H.** Form of Agreement: No specific forms for the various types of co-operative or unit operating agreements are required; however, sample forms of agreements now in operation will be furnished for guidance upon request, if available. Agreements submitted for approval must be submitted in duplicate. At least one copy must contain original signatures, which copy, after approval of the agreement, will be retained by the commissioner as the approved copy.

[19.2.100.51 NMAC - Rn, SLO Rule 1, Sections 1.044, 1.045, 1.046, 1.046.1, 1.047, 1.048, 1.049, 1.050, 1.051, 12/13/2002]

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## 70-2-2. [Waste prohibited.]

The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.

**History:** Laws 1935, ch. 72, § 1; 1941 Comp., § 69-202; Laws 1949, ch. 168, § 1; 1953 Comp., § 65-3-2.

**Cross references.** — For regulation and conservation of carbon dioxide gas, see 70-2-34 NMSA 1978.

## ANNOTATION

**Legislative intent.** — Primary concern of oil and gas legislation is eliminating and preventing waste in the pool so far as it can practicably be done, and also the protection of correlative rights of producers from the pool. *El Paso Natural Gas Co. v. Oil Conservation Comm'n*, 76 N.M. 268, 414 P.2d 496 (1966).

**Two fundamental powers and duties of commission** are prevention of waste and protection of correlative rights. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Elements of property rights of natural gas owners.** — The legislature has stated definitively the elements contained in property rights of natural gas owners. Such right is not absolute or unconditional. It consists of merely (1) an opportunity to produce, (2) only insofar as it is practicable to do so, (3) without waste, (4) a proportion, (5) insofar as it can be practically determined and obtained without waste, (6) of gas in the pool. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Protection of correlative rights.** — Although subservient to prevention of waste and perhaps to practicalities of the situation, the protection of correlative rights must depend upon the commission's findings as to the extent and limitations of the right. This the commission is required to do under legislative mandate. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Keeping of false records actionable offense.** — The Connally Hot Oil Act (15 U.S.C. § 715 et seq.) applies only to those states which have in effect proration statutes for the purpose of preventing waste of oil and gas resources, encouraging conservation of oil and gas deposits, etc., and New Mexico is among those states which has enacted a valid comprehensive oil conservation law; since Connally Act applies to this state, keeping of false records, though not in violation of any New Mexico proration order, constitutes an actionable offense under Connally Act. *Humble Oil & Ref. Co. v. United States*, 198 F.2d 753 (10th Cir.), cert. denied, 344 U.S. 909, 73 S. Ct. 328, 97 L. Ed. 701 (1952).

**Forfeiture of lease denied.** — Lessors of oil and gas lease could not declare balance of 40-acre tract (i.e., all except 10-acre tract a producing well was on) retained after selling interests without reservation in another undrilled 40-acre area included in the original lease, as forfeited because of lease provision that lessee was to drill or start to drill a second well or forfeit the lease, in view of order promulgated pursuant to this act which prevented drilling of second well on the retained 40-acre tract. *Thompson v. Greer*, 55 N.M. 335, 233 P.2d 204 (1951).

**Law reviews.** — For article, "Compulsory Pooling of Oil and Gas Interests in New Mexico," see 3 Nat. Resources J. 316 (1963).

For article, " 'New Mexican Nationalism' and the Evolution of Energy Policy in New Mexico," see 17 Nat. Resources J. 283 (1977).

**Am. Jur. 2d, A.L.R. and C.J.S. references.** — 38 Am. Jur. 2d Gas and Oil §§ 157, 158.

Constitutionality of statute limiting or controlling exploitation or waste of oil and gas, 24 A.L.R. 307, 78 A.L.R. 834.

Constitutionality of statute or ordinance limiting production and preventing waste, 67 A.L.R. 1347, 99 A.L.R. 1119.

Constitutionality of statute regulating petroleum production, 86 A.L.R. 418.

Construction, application, and effect of statutes regulating production of oil or gas in a manner or under conditions constituting waste, 86 A.L.R. 431.

Rights and remedies of owner or lessee of oil or gas land on mineral or royalty interest therein, in respect of waste of oil or gas through operations on other lands, 4 A.L.R.2d 198.

58 C.J.S. Mines and Minerals § 234.

### **70-2-3. Waste; definitions.**

As used in this act the term "waste," in addition to its ordinary meaning, shall include:

A. "underground waste" as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive or improper, use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas;

B. "surface waste" as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas in excess of the reasonable market demand;

C. the production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by this act. The words "reasonable market demand," as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both

such crude petroleum oil and products;

D. the nonratable purchase or taking of crude petroleum oil in this state. Such nonratable taking and purchasing causes or results in waste, as defined in the Subsections A, B, C of this section and causes waste by violating Section 12(a) [70-2-16A NMSA 1978] of this act;

E. the production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products;

F. drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits.

**History:** Laws 1935, ch. 72, § 2; 1941, ch. 166, § 1; 1941 Comp., § 69-203; Laws 1949, ch. 168, § 2; 1953 Comp., § 65-3-3; Laws 1965, ch. 58, § 1.

**Cross references.** — For definitions, see 70-2-33 NMSA 1978.

**Meaning of "this act".** — The term "this act," referred to in this section, means Laws 1935, ch. 72, §§ 1 to 24, which appear as 70-2-2 to 70-2-4, 70-2-6 to 70-2-11, 70-2-15, 70-2-16, 70-2-21 to 70-2-25, 70-2-27 to 70-2-30, and 70-2-33 NMSA 1978.

## ANNOTATION

**Allowable production not to exceed market demand.** — When 70-2-16C and 70-2-19E NMSA 1978 are read together, one fact is evident: even after a pool is prorated, market demand must be determined, since, if allowable production from the pool exceeds market demand, waste would result if the allowable is produced. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Change of allowable production to meet market demand.** — The enabling of gas purchasers to more nearly meet market demand is not an authorized statutory basis upon which a change of allowable production may be placed. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Law reviews.** — For article, "Compulsory Pooling of Oil and Gas Interests in New Mexico," see 3 Nat. Resources J. 316 (1963).

For article, " 'New Mexican Nationalism' and the Evolution of Energy Policy in New Mexico," see 17 Nat. Resources J. 283 (1977).

## **70-2-6. Commission's and division's powers and duties.**

A. The division shall have, and is hereby given, jurisdiction and authority over all matters relating to the conservation of oil and gas and the prevention of waste of potash as a result of oil or gas operations in this state. It shall have jurisdiction, authority and control of and over all persons, matters or things necessary or proper to enforce effectively the provisions of this act or any other law of this state relating to the conservation of oil or gas and the prevention of waste of potash as a result of oil or gas operations.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law. In addition, any hearing on any matter may be held before the commission if the division director, in his discretion, determines that the commission shall hear the matter.

**History:** Laws 1935, ch. 72, § 4; 1941 Comp., § 69-205; Laws 1949, ch. 168, § 4; 1953 Comp., § 65-3-5; Laws 1965, ch. 58, § 2; 1977, ch. 255, § 41; 1979, ch. 175, § 1.

**Cross references.** — For powers and duties under Statutory Unitization Act, see 70-7-3 NMSA 1978.

For the Natural Gas and Crude Oil Production Incentive Act, see Chapter 7, Article 29B NMSA 1978.

For powers and duties under Geothermal Resources Conservation Act, see 71-5-6 to 71-5-8 NMSA 1978.

**Meaning of "this act".** — The term "this act," referred to in this section, means Laws 1935, ch. 72, §§ 1 to 24, which appear as 70-2-2 to 70-2-4, 70-2-6 to 70-2-11, 70-2-15, 70-2-16, 70-2-21 to 70-2-25, 70-2-27 to 70-2-30, and 70-2-33 NMSA 1978.

## **ANNOTATION**

**Basis of commission's powers.** — Commission is a creature of statute, expressly defined, limited and empowered by laws creating it. It has jurisdiction over matters related to conservation of oil and gas in New Mexico, but the basis of its powers is founded on the duty to prevent waste and to protect correlative rights. Prevention of waste is its paramount power, inasmuch as this is an integral part of the definition of correlative rights. *Sims v. Mechem*, 72 N.M. 186, 382 P.2d 183 (1963).

**Restrictions on commission's powers.** — The power and authority of the commission is general in nature but commission is restricted to the end that it cannot act arbitrarily, unlawfully or capriciously in carrying out administrative functions imposed upon it. 1959-60 Op. Att'y Gen. No. 59-186.

**Judicial powers.** — Commission was acting in a judicial capacity when it approved a proposed unitization plan; its decision was therefore entitled to preclusive effect. *Amoco Prod. Co. v. Heimann*, 904 F.2d 1405 (10th Cir. 1990), cert. denied, 498 U.S. 942, 111 S. Ct. 350, 112 L. Ed. 2d 314 (1990).

**Use of rental funds for commission's aircraft.** — Commission, when it rents its department aircraft to other state agencies, may retain rental payments, when made, in a fund to be used by commission to defray expense of continued operation of the aircraft by placing rental payments in a working capital fund set up in department for the purpose of defraying operating expenses of aircraft. 1959-60 Op. Att'y Gen.

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No. 59-186.

**Authority held not exceeded.** — When an oil well was located so that it could produce oil from the top portion of the pool, thereby avoiding waste that would have occurred unless the well was allowed, but the well was located so that it could effectively drain the entire pool, and the oil conservation commission, charged with the protection of correlative rights of the other lease owners in the pool, placed a production penalty on the well to protect these rights, the commission did not exceed the broad statutory authority granted by the Oil and Gas Act. *Santa Fe Exploration Co. v. Oil Conservation Comm'n*, 114 N.M. 103, 835 P.2d 819 (1992).

**Law reviews.** — For note, "State Regulation of Oil and Gas Pools on State, Federal, Indian and Fee Lands," see 2 Nat. Resources J. 355 (1962).

For article, "Constitutional Limitations on the Exercise of Judicial Functions by Administrative Agencies," see 7 Nat. Resources J. 599 (1967).

**Am. Jur. 2d, A.L.R. and C.J.S. references.** — 38 Am. Jur. 2d Gas and Oil §§ 145 to 163.

58 C.J.S. Mines and Minerals § 229.

## **70-2-11. Power of commission and division to prevent waste and protect correlative rights.**

A. The division is hereby empowered, and it is its duty, to prevent waste prohibited by this act and to protect correlative rights, as in this act provided. To that end, the division is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purpose of this act, whether or not indicated or specified in any section hereof.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

**History:** Laws 1935, ch. 72, § 9; 1941 Comp., § 69-210; Laws 1949, ch. 168, § 9; 1953 Comp., § 65-3-10; Laws 1977, ch. 255, § 46.

**Meaning of "this act".** — The term "this act," referred to in this section, means Laws 1935, ch. 72, §§ 1 to 24, which appear as 70-2-2 to 70-2-4, 70-2-6 to 70-2-11, 70-2-15, 70-2-16, 70-2-21 to 70-2-25, 70-2-27 to 70-2-30, and 70-2-33 NMSA 1978.

## **ANNOTATION**

**Authority based on power of prevention of waste.** — The statutory authority of the commission to pool property or to modify existing agreements relating to production within a pool under either 70-2-17C or 70-2-17E NMSA 1978 must be predicated on prevention of waste. *Sims v. Mechem*, 72 N.M. 186, 382 P.2d 183 (1963).

Commission has jurisdiction over matters related to conservation of oil and gas in New Mexico, but the basis of its powers is founded on the duty to prevent waste and to protect correlative rights, as set forth in this section. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Powers of proration and creation of spacing units remain intact.** — The standards of preventing

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waste and protecting correlative rights, as laid out in this section, are sufficient to allow commission's power to prorate and create standard or nonstandard spacing units to remain intact, and 70-2-18 NMSA 1978 is not an unlawful delegation of legislative power. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

**Prevention of waste by pooling.** — Commission's finding that most efficient and orderly development of the subject acreage could be accomplished by force pooling is not equivalent to a finding that this pooling will prevent waste. *Sims v. Mechem*, 72 N.M. 186, 382 P.2d 183 (1963).

**Former act to prohibit waste.** — There was no delegation to the commission of power to make law or determine what it shall be in the former Oil Conservation Act, but act was, in effect, a prohibition against waste. 1951-52 Op. Att'y Gen. 51-5397.

**Protection of correlative rights.** — The prevention of waste is of paramount interest to the legislature and protection of correlative rights is interrelated and inseparable from it. The very definition of "correlative rights" emphasizes the term "without waste." However, protection of correlative rights is a necessary adjunct to the prevention of waste. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Although subservient to prevention of waste and perhaps to practicalities of the situation, protection of correlative rights must depend upon the commission's findings as to extent and limitations of right. This the commission is required to do under legislative mandate. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Property rights of natural gas owners.** — The legislature has stated definitively the elements contained in property right of natural gas owners. Such right is not absolute or unconditional. It consists of merely (1) an opportunity to produce, (2) only insofar as it is practicable to do so, (3) without waste, (4) a proportion, (5) insofar as it can be practically determined and obtained without waste, (6) of gas in the pool. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Authority held not exceeded.** — When an oil well was located so that it could produce oil from the top portion of the pool, thereby avoiding waste that would have occurred unless the well was allowed, but the well was located so that it could effectively drain the entire pool, and the oil conservation commission, charged with the protection of correlative rights of the other lease owners in the pool, placed a production penalty on the well to protect these rights, the commission did not exceed the broad statutory authority granted by the Oil and Gas Act. *Santa Fe Exploration Co. v. Oil Conservation Comm'n*, 114 N.M. 103, 835 P.2d 819 (1992).

**Law reviews.** — For comment on *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962), see 3 Nat. Resources J. 178 (1963).

**Am. Jur. 2d, A.L.R. and C.J.S. references.** — 38 Am. Jur. 2d Gas and Oil §§ 145 to 148, 157.

58 C.J.S. Mines and Minerals §§ 229, 234.

## 70-2-12. Enumeration of powers.

A. Included in the power given to the oil conservation division of the energy, minerals and natural resources department is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, tanks, plants, refineries and all means and modes of transportation and

equipment; to hold hearings; to provide for the keeping of records and the making of reports and for the checking of the accuracy of the records and reports; to limit and prorate production of crude petroleum oil or natural gas or both as provided in the Oil and Gas Act [70-2-1 NMSA 1978]; and to require either generally or in particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil or natural gas or any products of either or both oil and products or both natural gas and products.

B. Apart from any authority, express or implied, elsewhere given to or existing in the oil conservation division by virtue of the Oil and Gas Act or the statutes of this state, the division is authorized to make rules, regulations and orders for the purposes and with respect to the subject matter stated in this subsection:

(1) to require dry or abandoned wells to be plugged in a way to confine the crude petroleum oil, natural gas or water in the strata in which it is found and to prevent it from escaping into other strata; the division shall require a cash or surety bond in a sum not to exceed fifty thousand dollars (\$50,000) conditioned for the performance of such regulations;

(2) to prevent crude petroleum oil, natural gas or water from escaping from strata in which it is found into other strata;

(3) to require reports showing locations of all oil or gas wells and for the filing of logs and drilling records or reports;

(4) to prevent the drowning by water of any stratum or part thereof capable of producing oil or gas or both oil and gas in paying quantities and to prevent the premature and irregular encroachment of water or any other kind of water encroachment that reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas or both oil and gas from any pool;

(5) to prevent fires;

(6) to prevent "blow-ups" and "caving" in the sense that the conditions indicated by such terms are generally understood in the oil and gas business;

(7) to require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties;

(8) to identify the ownership of oil or gas producing leases, properties, wells, tanks, refineries, pipelines, plants, structures and all transportation equipment and facilities;

(9) to require the operation of wells with efficient gas-oil ratios and to fix such ratios;

(10) to fix the spacing of wells;

(11) to determine whether a particular well or pool is a gas or oil well or a gas or oil pool, as the case may be, and from time to time to classify and reclassify wells and pools accordingly;

(12) to determine the limits of any pool producing crude petroleum oil or natural gas or both and from time to time redetermine the limits;

(13) to regulate the methods and devices employed for storage in this state of oil or natural gas or any product of either, including subsurface storage;

(14) to permit the injection of natural gas or of any other substance into any pool in this state for the purpose of repressuring, cycling, pressure maintenance, secondary or any other enhanced recovery operations;

(15) to regulate the disposition of water produced or used in connection with the drilling for or producing of oil or gas or both and to direct surface or subsurface disposal of the water, including disposition by use in drilling for or production of oil or gas, in road construction or maintenance or other construction, in the generation of electricity or in other industrial processes, in a manner that will afford reasonable protection against contamination of fresh water supplies designated by the state engineer;

(16) to determine the limits of any area containing commercial potash deposits and from time to time redetermine the limits;

(17) to regulate and, where necessary, prohibit drilling or producing operations for oil or gas within any area containing commercial deposits of potash where the operations would have the effect unduly to reduce the total quantity of the commercial deposits of potash that may reasonably be recovered in commercial quantities or where the operations would interfere unduly with the orderly commercial development of the potash deposits;

(18) to spend the oil and gas reclamation fund and do all acts necessary and proper to plug dry and abandoned oil and gas wells and to restore and remediate abandoned well sites and associated production facilities in accordance with the provisions of the Oil and Gas Act, the rules and regulations adopted under that act and the Procurement Code [13-1-28 NMSA 1978], including disposing of salvageable equipment and material removed from oil and gas wells being plugged by the state;

(19) to make well price category determinations pursuant to the provisions of the federal Natural Gas Policy Act of 1978 or any successor act and, by regulation, to adopt fees for such determinations, which fees shall not exceed twenty-five dollars (\$25.00) per filing. Such fees shall be credited to the account of the oil conservation division by the state treasurer and may be expended as authorized by the legislature;

(20) to regulate the construction and operation of oil treating plants and to require the posting of bonds for the reclamation of treating plant sites after cessation of operations;

(21) to regulate the disposition of nondomestic wastes resulting from the exploration, development, production or storage of crude oil or natural gas to protect public health and the environment; and

(22) to regulate the disposition of nondomestic wastes resulting from the oil field service industry, the transportation of crude oil or natural gas, the treatment of natural gas or the refinement of crude oil to protect public health and the environment, including administering the Water Quality Act [74-6-1 NMSA 1978] as provided in Subsection E of Section 74-6-4 NMSA

1978.

History: 1953 Comp., § 65-3-11, enacted by Laws 1978, ch. 71, § 1; 1986, ch. 76, § 1; 1987, ch. 234, § 61; 1989, ch. 289, § 1; 1996, ch. 72, § 2; 2004, ch. 87, § 2.

**Cross references.** — For filing rules and regulations, see 14-4-3 NMSA 1978.

For public utilities commission's lack of power to regulate sale price at wellhead, see 62-6-4 NMSA 1978.

**Repeals and reenactments.** — Laws 1978, ch. 71, § 1, repealed 65-3-11, 1953 Comp. (former 70-2-12 NMSA 1978), relating to enumeration of powers, and enacted a new 70-2-12 NMSA 1978.

**The 1986 amendment**, effective May 21, 1986, substituted "oil conservation division" for "division" in Subsection A and in the introductory paragraph of Subsection B; substituted "provided in the Oil and Gas Act" for "in this act provided" in Subsection A; substituted "the Oil and Gas Act" for "this act" in the introductory paragraph of Subsection B; substituted "cash or surety bond" for "corporate surety bond" in Subsection B(1); added Subsection B(19), and made minor stylistic changes throughout the section.

**The 1987 amendment**, effective July 1, 1987, in Subsection B(18), substituted "Procurement Code" for "Public Purchases Act"; added Subsection B(20); and made minor changes in language and punctuation throughout the section.

**The 1989 amendment**, effective June 16, 1989, added Subsections B(21) and B(22).

**The 1996 amendment**, inserted "of the energy, minerals and natural resources department" in the first sentence of Subsection A; and in Subsection B, substituted "that reduces" for "which reduces" in Paragraph (4), and inserted "and to restore and remediate abandoned well sites and associated production facilities" and "the rules and regulations adopted under that act" in Paragraph (18). Laws 1996, ch. 72 contains no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, is effective May 15, 1996, 90 days after adjournment of the legislature. See Volume 14 NMSA 1978 for "Adjournment Dates of Sessions of Legislature" table.

**The 2004 amendment**, effective May 19, 2004, amended Paragraph (15) of Subsection B to add: "including disposition by use in drilling for or production of oil or gas, in road construction or maintenance or other construction, in the generation of electricity or in other industrial processes".

**Natural Gas Policy Act.** — The federal Natural Gas Policy Act of 1978, referred to in Paragraph B(19), appears as 15 U.S.C. § 3301 et seq.

## ANNOTATION

**Powers pertaining to oil well fires.** — The lawmakers intended commission not only to seek fire prevention to conserve oil, but also to conserve other property and lives of persons peculiarly subject to hazard of oil well fires. *Continental Oil Co. v. Brack*, 381 F.2d 682 (10th Cir. 1967).

**The terms "spacing unit" and "proration unit" are not synonymous** and commission has power to fix spacing units without first creating proration units. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

**Am. Jur. 2d, A.L.R. and C.J.S. references.** — 38 Am. Jur. 2d Gas and Oil §§ 145 to 163.

**70-2-17. Equitable allocation of allowable production; pooling; spacing.**

A. The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for this purpose to use his just and equitable share of the reservoir energy.

B. The division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells.

C. When two or more separately owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil and gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil or gas, or both. Each order shall describe the lands included in the unit designated thereby, identify the pool or pools to which it applies and designate an operator for the unit. All operations for the pooled oil or gas, or both, which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract. For the purpose of determining the portions of production owned by the persons owning interests in the pooled oil or gas, or both, such production shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit. The portion of the production allocated to the owner or owners of each tract or interest included in a well spacing or proration unit formed by a pooling order shall, when produced, be considered as if produced from the separately owned tract or

interest by a well drilled thereon. Such pooling order of the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the prorata reimbursement solely out of production to the parties advancing the costs of the development and operation, which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the nonconsenting working interest owner's or owners' prorata share of the cost of drilling and completing the well.

In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and a hearing thereon. The division is specifically authorized to provide that the owner or owners drilling, or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to all production from such well which would be received by the owner, or owners, for whose benefit the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling such dispute. No part of the production or proceeds accruing to any owner or owners of a separate interest in such unit shall be applied toward the payment of any cost properly chargeable to any other interest in said unit.

If the interest of any owner or owners of any unleased mineral interest is pooled by virtue of this act, seven-eighths of such interest shall be considered as a working interest and one-eighth shall be considered a royalty interest, and he shall in all events be paid one-eighth of all production from the unit and creditable to his interest.

D. Minimum allowable for some wells may be advisable from time to time, especially with respect to wells already drilled when this act takes effect, to the end that the production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

E. Whenever it appears that the owners in any pool have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of any allowable fixed by the division for the pool, or upon any other plan for the development or operation of such pool, which plan, in the judgment of the division, has the effect of preventing waste as prohibited by this act and is fair to the royalty owners in such pool, then such plan shall be adopted by the division with respect to such pool; however, the division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by this act.

F. After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, his wells, leases or properties determined as in this act provided, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders.

**History:** Laws 1935, ch. 72, § 12; 1941 Comp., § 69-2131/2; Laws 1949, ch. 168, § 13; 1953, ch. 76, § 1; 1953 Comp., § 65-3-14; Laws 1961, ch. 65, § 1; 1973, ch. 250, § 1; 1977, ch. 255, §

51.

**Meaning of "this act".** — The term "this act," referred to in this section, means Laws 1935, ch. 72, §§ 1 to 24, which appear as 70-2-2 to 70-2-4, 70-2-6 to 70-2-11, 70-2-15, 70-2-16, 70-2-21 to 70-2-25, 70-2-27 to 70-2-30, and 70-2-33 NMSA 1978.

## ANNOTATION

**The terms "spacing unit" and "proration unit" are not synonymous** and the commission has power to fix spacing units without first creating proration units. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

**Proration formula required to be based on recoverable gas.** — Lacking a finding that new gas proration formula is based on amounts of recoverable gas in pool and under tracts, insofar as these amounts can be practically determined and obtained without waste, a supposedly valid order in current use cannot be replaced. Such findings are necessary requisites to validity of the order, for it is upon them that the very power of the commission to act depends. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Findings required before correlative rights ascertained.** — In order to protect correlative rights, it is incumbent upon commission to determine, "so far as it is practical to do so," certain foundational matters, without which the correlative rights of various owners cannot be ascertained. Therefore, the commission, by "basic conclusions of fact" (or what might be termed "findings"), must determine, insofar as practicable: (1) amount of recoverable gas under each producer's tract; (2) the total amount of recoverable gas in pool; (3) proportion that (1) bears to (2); and (4) what portion of arrived at proportion can be recovered without waste. That the extent of the correlative rights must first be determined before commission can act to protect them is manifest. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

In addition to making such findings the commission, "insofar as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by counter-drainage," under the provisions of 70-2-16 NMSA 1978. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

Four basic findings required to adopt a production formula under this section can be made in language equivalent to that required in previous decision construing this section. *El Paso Natural Gas Co. v. Oil Conservation Comm'n*, 76 N.M. 268, 414 P.2d 496 (1966) (explaining *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962)).

Although subservient to prevention of waste and perhaps to practicalities of the situation, protection of correlative rights must depend upon commission's (now division's) findings as to extent and limitations of the right. This the commission is required to do under the legislative mandate. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Division found not to have primary jurisdiction over suit** seeking an order to join in an oil well free of risk penalty. *Mountain States Natural Gas Corp. v. Petroleum Corp.*, 693 F.2d 1015 (10th Cir. 1982).

**Grant of forced pooling is determined on case-to-case basis.** — The granting of or refusal to grant forced pooling of multiple zones with an election to participate in less than all zones, the amount of costs to be reimbursed to the operator, and the percentage risk charge to be assessed, if any, are determinations to be made by the commission (now the division) on a case-to-case basis and upon the particular facts in each case. *Viking Petroleum, Inc. v. Oil Conservation Comm'n*, 100 N.M. 451, 672 P.2d

280 (1983).

**As to forced pooling of multiple zones with an election to participate** in less than all zones. See *Viking Petroleum, Inc. v. Oil Conservation Comm'n*, 100 N.M. 451, 672 P.2d 280 (1983).

**Division's findings upheld.** — Commission's (now division's) findings that it would be unreasonable and contrary to the spirit of conservation statutes to drill unnecessary and economically wasteful well were held to be sufficient to justify creation of two nonstandard gas proration units, and the force pooling thereof, and were supported by substantial evidence. Likewise, participation formula adopted by commission, which gave each owner a share in production in same ratio as his acreage bore to acreage of the whole, was upheld despite limited proof as to extent and character of pool. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

**Relation between prevention of waste and protection of correlative rights.** — Prevention of waste is of paramount interest to the legislature and protection of correlative rights is interrelated and inseparable from it. The very definition of "correlative rights" emphasizes the term "without waste." However, protection of correlative rights is necessary adjunct to the prevention of waste. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Division's authority to pool separately owned tracts.** — Since commission (now division) has power to pool separately owned tracts within a spacing or proration unit, as well as concomitant authority to establish oversize nonstandard spacing units, commission also has authority to pool separately owned tracts within an oversize nonstandard spacing unit. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

**Elements of property right of natural gas owners.** — The legislature has stated definitively the elements contained in property right of natural gas owners. Such right is not absolute or unconditional. It consists of merely (1) an opportunity to produce, (2) only insofar as it is practicable to do so, (3) without waste, (4) a proportion, (5) insofar as it can be practically determined and obtained without waste, (6) of gas in the pool. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Law reviews.** — For article, "Compulsory Pooling of Oil and Gas Interests in New Mexico," see 3 *Nat. Resources J.* 316 (1963).

For comment on *El Paso Natural Gas Co. v. Oil Conservation Comm'n*, 76 N.M. 268, 414 P.2d 496 (1966), see 7 *Nat. Resources J.* 425 (1967).

For comment on geothermal energy and water law, see 19 *Nat. Resources J.* 445 (1979).

**Am. Jur. 2d, A.L.R. and C.J.S. references.** — 38 *Am. Jur. 2d Gas and Oil* §§ 159, 161, 164.

## **70-2-18. Spacing or proration unit with divided mineral ownership.**

A. Whenever the operator of any oil or gas well shall dedicate lands comprising a standard spacing or proration unit to an oil or gas well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil or gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be effective from the first production. Any division order that increases the size of a standard spacing or proration unit for a pool, or extends the

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boundaries of such a pool, shall require dedication of acreage to existing wells in the pool in accordance with the acreage dedication requirements for said pool, and all interests in the spacing or proration units that are dedicated to the affected wells shall share in production from the effective date of the said order.

B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing or proration unit as required by this section, shall nevertheless be liable to account to and pay each owner of minerals or leasehold interest, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing or proration units may be established by the division and all mineral and leasehold interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

**History:** 1953 Comp., § 65-3-14.5, enacted by Laws 1969, ch. 271, § 1; 1977, ch. 255, § 52.

### ANNOTATION

**Constitutionality.** — Standards of preventing waste and protecting correlative rights, as laid out in 70-2-11 NMSA 1978, are sufficient to allow commission's power to prorate and create standard or nonstandard spacing units to remain intact, and this section is not unlawful delegation of legislative power under N.M. Const., art. III, § 1. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

**The terms "spacing unit" and "proration unit" are not synonymous** and commission has power to fix spacing units without first creating proration units. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

**Authority to pool separately owned tracts.** — Since commission has power to pool separately owned tracts within a spacing or proration unit, as well as concomitant authority to establish oversize nonstandard spacing units, the commission also has authority to pool separately owned tracts within an oversize nonstandard spacing unit. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

**Creation of proration units, force pooling and participation formula upheld.** — Commission's (now division's) findings that it would be unreasonable and contrary to spirit of conservation statutes to drill an unnecessary and economically wasteful well were held sufficient to justify creation of two nonstandard gas proration units, and force pooling thereof, and were supported by substantial evidence. Likewise, participation formula adopted by commission, which gave each owner a share in production in same ratio as his acreage bore to the acreage of whole, was upheld despite limited proof as to extent and character of the pool. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

**Proceedings to increase oil well spacing.** — A proceeding on an oil and gas estate lessee's application for an increase in oil well spacing was adjudicatory, and the lessor was entitled to actual notice under the due process requirements of the New Mexico and United States Constitutions. *Uden v. New Mexico Oil Conservation Comm'n*, 112 N.M. 528, 817 P.2d 721 (1991).

**Law reviews.** — For comment on geothermal energy and water law, see 19 Nat. Resources J. 445 (1979).

**Am. Jur. 2d, A.L.R. and C.J.S. references.** — 38 Am. Jur. 2d Gas and Oil §§ 159, 164, 172.

58 C.J.S. Mines and Minerals §§ 230, 240.

### 70-2-33. Definitions.

As used in the Oil and Gas Act [70-2-1 NMSA 1978]:

A. "person" means:

(1) any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity; or

(2) the United States or any agency or instrumentality thereof or the state or any political subdivision thereof;

B. "pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separate from any other zone in the structure, is covered by the word pool as used in the Oil and Gas Act. Pool is synonymous with "common source of supply" and with "common reservoir";

C. "field" means the general area that is underlaid or appears to be underlaid by at least one pool and also includes the underground reservoir or reservoirs containing the crude petroleum oil or natural gas or both. The words field and pool mean the same thing when only one underground reservoir is involved; however, field, unlike pool, may relate to two or more pools;

D. "product" means any commodity or thing made or manufactured from crude petroleum oil or natural gas and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzene, wash oil, waste oil, lubricating oil and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof;

E. "owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another;

F. "producer" means the owner of a well capable of producing oil or natural gas or both in paying quantities;

G. "gas transportation facility" means a pipeline in operation serving gas wells for the transportation of natural gas or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption;

H. "correlative rights" means the opportunity afforded, so far as it is practicable to do

so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas or both in the pool, being an amount, so far as can be practicably determined and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas or both under the property bears to the total recoverable oil or gas or both in the pool and, for such purpose, to use his just and equitable share of the reservoir energy;

I. "potash" means the naturally occurring bedded deposits of the salts of the element potassium;

J. "casinghead gas" means any gas or vapor or both indigenous to an oil stratum and produced from such stratum with oil, including any residue gas remaining after the processing of casinghead gas to remove its liquid components; and

K. "produced water" means water that is an incidental byproduct from drilling for or the production of oil and gas.

History: Laws 1935, ch. 72, § 24; 1941 Comp., § 69-230; Laws 1949, ch. 168, § 26; 1953 Comp., § 65-3-29; Laws 1965, ch. 58, § 4; 1982, ch. 51, § 1; 1986, ch. 56, § 1; 2004, ch. 87, § 2.

**Cross references.** — For definition of "waste," see 70-2-3 NMSA 1978.

For definition of "carbon dioxide gas," see 70-2-34 NMSA 1978.

**The 1986 amendment,** effective May 21, 1986, added Subsection J and made stylistic changes throughout the section.

**The 2004 amendment,** effective May 19, 2004, added Subsection K.

## ANNOTATION

**Relationship between prevention of waste and protection of correlative rights.** — The prevention of waste is of paramount interest to the legislature and protection of correlative rights is interrelated and inseparable from it. The very definition of "correlative rights" emphasizes the term "without waste." However, protection of correlative rights is a necessary adjunct to the prevention of waste. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Protection of correlative rights.** — Although subservient to prevention of waste and perhaps to the practicalities of the situation, protection of correlative rights must depend upon commission's findings as to extent and limitations of the right. This the commission is required to do under legislative mandate. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Required findings by commission to protect correlative rights.** — In order to protect correlative rights, it is incumbent upon commission to determine, "so far as it is practical to do so," certain foundationary matters, without which correlative rights of various owners cannot be ascertained. Therefore, the commission, by "basic conclusions of fact" (or what might be termed "findings"), must determine, insofar as practicable: (1) amount of recoverable gas under each producer's tract; (2) total amount of recoverable gas in the pool; (3) proportion that (1) bears to (2); and (4) what portion of the arrived at proportion can be recovered without waste. That extent of the correlative rights must first be determined before commission can act to protect them is manifest. *Continental Oil Co. v. Oil Conservation*

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Comm'n, 70 N.M. 310, 373 P.2d 809 (1962).

**Commission's findings upheld.** — When commission exercises its duty to allow each interest owner in a pool his just and equitable share of the oil or gas underlying his property, mandate to determine the extent of those correlative rights is subject to the qualification as far as it is practicable to do so, and where commission established participation formula giving each owner in the unit a share in production in the same ratio as his acreage bore to the acreage of the whole units, the supreme court found that such a formula was reasonable and logical, if perhaps not the most complete or accurate method that may be used when more subsurface information becomes available. *Rutter & Wilbanks Corp. v. Oil Conservation Comm'n*, 87 N.M. 286, 532 P.2d 582 (1975).

**New proration formula to be based on recoverable gas.** — Lacking a finding that a new gas proration formula is based on the amounts of recoverable gas in the pool and under the tracts, insofar as these amounts can be practically determined and obtained without waste, a supposedly valid order in current use cannot be replaced. Such findings are necessary requisites to the validity of order, for it is upon them that the very power of commission to act depends. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Prevention of drainage between producing tracts.** — In addition to making findings to protect correlative rights, commission, "insofar as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by counter-drainage," under the provisions of 70-2-16C NMSA 1978. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Elements of property rights of natural gas owners.** — The legislature has stated definitively the elements contained in property right of natural gas owners. Such right is not absolute or unconditional. It consists of merely (1) an opportunity to produce, (2) only insofar as it is practicable to do so, (3) without waste, (4) a proportion, (5) insofar as it can be practically determined and obtained without waste, (6) of gas in the pool. *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962).

**Law reviews.** — For comment on *Continental Oil Co. v. Oil Conservation Comm'n*, 70 N.M. 310, 373 P.2d 809 (1962), see 3 Nat. Resources J. 178 (1963).

For article, "Compulsory Pooling of Oil and Gas Interests in New Mexico," see 3 Nat. Resources J. 316 (1963).

For comment on *El Paso Natural Gas Co. v. Oil Conservation Comm'n*, 76 N.M. 268, 414 P.2d 496 (1966), see 7 Nat. Resources J. 425 (1967).

**Am. Jur. 2d, A.L.R. and C.J.S. references.** — 38 Am. Jur. 2d Gas and Oil §§ 145, 157.

58 C.J.S. Mines and Minerals §§ 229, 240.

**BRAVO DOME CARBON DIOXIDE GAS UNIT**  
Union, Harding and Quay Counties, New Mexico

Order No. R-6446-B, Approving the Bravo Dome Carbon Dioxide Gas Unit Agreement, Union, Harding and Quay Counties, New Mexico, January 23, 1981, as Amended by Order No. R-10253, December 1, 1994.

Order No. R-6446, August 14, 1980, approved Bravo Dome Carbon Dioxide Gas Unit; Order No. R-6446-A reopened Case No. 6967 and rehearing was held October 9, 1980.

Order No. R-6645, June 4, 1981, authorized the Director of the Oil Conservation Division to grant administrative approval for the re-injection of CO-2 gas produced for the purpose of testing wells and surface production facilities back into the formation within the Bravo Dome carbon dioxide area.

Application of Amoco Production Company for Approval of the Bravo Dome Carbon Dioxide Gas Unit Agreement, Union, Harding, and Quay Counties, New Mexico.

CASE NO. 6967  
Order No. R-6446-B

**ORDER OF THE COMMISSION**

BY THE COMMISSION: This cause came on for rehearing at 9 a.m. on October 9, 1980, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 23rd day of January, 1981, the Commission, a quorum being present, having considered the testimony, the record, and the exhibits, 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 with respect to prevention of waste and protection of correlative rights.

(2) That the applicant, Amoco Production Company, seeks approval of the Bravo Dome Carbon Dioxide Gas Unit Agreement (Unit) covering 1,174,225.43 acres, more or less, of State, Federal and Fee lands described in Exhibit A attached hereto and incorporated herein by reference.

(3) That this matter originally came on for hearing before the Commission on July 21, 1980.

(4) That on August 14, 1980, the Commission entered its Order No. R-6446 approving said Bravo Dome Carbon Dioxide Unit Agreement.

(5) That the Commission received a timely application for rehearing of Case No. 6967 from Abe Casados, et al (petitioners).

(6) That petitioners alleged, among other things, that the application was premature, that the Commission's findings and conclusions were based on insufficient evidence, and that additional findings concerning prevention of waste and protection of correlative rights should be made by the Commission.

(7) That on October 9, 1980, a rehearing was held in Case No. 6967 for the purpose of permitting all interested parties to appear and present evidence relating to this matter, including the following particulars:

(a) prevention of waste within the unit area,

(b) protection of correlative rights within the unit area as afforded by the unit agreement, its plan and participation formula, and

(c) whether the unit agreement and its plan are premature.

(8) That the unitized operation and management of the proposed unit has the following advantages over development of this area on a lease by lease basis:

(a) more efficient, orderly and economic exploration of the unit area; and

(b) more economical production, field gathering, and treatment of carbon dioxide gas within the unit area

(9) That said advantages will reduce average well costs within the unit area, provide for longer economic well life, result in the greater ultimate recovery of carbon dioxide gas thereby preventing waste.

(10) That the unit area is a large area with carbon dioxide gas potential.

(11) That at the time of the hearing and the rehearing some areas within the unit boundary had experienced a long history of production.

(12) That at the time of the hearing and the rehearing a number of exploratory wells had been completed in scattered parts of the unit.

(13) That the developed acreage within the proposed unit is very small when compared to the total unit area and when viewed as a whole, the unit must be considered to be an exploratory unit.

(14) That the evidence presented demonstrated that there are two methods of participation which would protect the correlative rights of the owners within exploratory units through the distribution of production or proceeds therefrom from the unit; these methods are as follows:

(a) a formula which provides that each owner in the unit shall share in production from any well(s) within the unit in the same proportion as each owner's acreage interest in the unit bears to the total unit acreage, and

(b) a method which provides for the establishment of participating areas within the unit based upon completion of commercial wells and geologic and engineering interpretation of presumed productive acreage with only those parties of interest within designated participating areas sharing in production. Such participation would be based upon the proportion of such owner's acreage interest within the participating area as compared to the total acreage within the participating area.

(15) That each of the methods described in Finding No. (14) above was demonstrated to have certain advantages and limitations.

(16) That there was no evidence upon which to base a finding that either method was clearly superior upon its own merits in this case at this time.

EXHIBIT

**E**

## (BRAVO DOME CARBON DIOXIDE GAS UNIT - Cont'd.)

(17) That the method of sharing the income from production from the unit as provided in the Unit Agreement is reasonable and appropriate at this time.

(18) That the evidence presented at the rehearing demonstrated a clear need for the carbon dioxide gas projected to be available from the unit for purposes of injection for the enhanced recovery of crude oil from depleted reservoirs.

(19) That approval of the unit and development of the unit area at this time will not result in the premature availability or excess capacity of carbon dioxide gas for injection for enhanced recovery purposes.

(20) That the Commissioner of Public Lands and the United States Geological Survey have approved the proposed unit with respect to state and federal lands committed to the unit.

(21) That the application is not premature.

(22) That this is the largest unit ever proposed in the State of New Mexico, and perhaps the United States.

(23) That there is no other carbon dioxide gas unit in the State.

(24) That the Commission has no experience with the long term operation of either a unit of this size or of a unit for the development and production of carbon dioxide gas.

(25) That the evidence presented in this case establishes that the unit agreement at least initially provides for development of the unit area in a method that will serve to prevent waste and which is fair to the owners of interests therein.

(26) That the current availability of reservoir data in this large exploratory unit does not now permit the presentation of evidence or the finding that the unit agreement provides for the long term development of the unit area in a method which will prevent waste and which is fair to the owners of interests therein.

(27) That further development within the unit area should provide the data upon which such determinations could, from time to time, be made.

(28) That the Commission is empowered and has the duty with respect to unit agreements to do whatever may be reasonably necessary to prevent waste and protect correlative rights.

(29) That the Commission may and should exercise continuing jurisdiction over the unit relative to all matters given it by law and take such actions as may, in the future, be required to prevent waste and protect correlative rights therein.

(30) That those matters or actions contemplated by Finding No. (29) above may include but are not limited to: well spacing, requiring wells to be drilled, requiring elimination of undeveloped or dry acreage from the unit area, and modification of the unit agreement.

(31) That the unit operator should be required to periodically demonstrate to the Commission that its operations within the unit are resulting in prevention of waste and protection of correlative rights on a continuing basis.

(32) That such a demonstration should take place at a public hearing at least every four years following the effective date of the unit or at such lesser intervals as may be required by the Commission.

(33) That all plans of development and operation and all expansions or contractions of the unit area should be submitted to the Commission for approval.

(34) That in addition to the submittal of plans of development and operation called for under Finding No. (33) above, the operator should file with the Commission tentative four-year plans for unitized operations within the unit.

(35) That said four-year plan of operations should be for informational purposes only, but may be considered by the Commission during its quadrennial review of unit operations.

(36) That the initial four-year plan should be filed with the Commission within 60 days following the entry of this order, and that subsequent plans should be filed every four years within 60 days before the anniversary date of the entry of this order.

(37) That approval of the proposed unit agreement with the safeguards provided above should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Bravo Dome Carbon Dioxide Gas Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of carbon dioxide gas therefrom, including the prevention of waste, and the protection of correlative rights.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That the operator of said unit shall be required to periodically demonstrate to the Commission that its operations within the unit are resulting in the prevention of waste and protection of correlative rights on a continuing basis.

**(BRAVO DOME CARBON DIOXIDE GAS UNIT - Cont'd.)**

(5) That such demonstration shall take place at a public hearing held at least every four years following the effective date of the unit or at such lesser intervals as the Commission may require.

(6) That all plans of development and operation and all expansions or contractions of the unit area shall be submitted to the Commission for approval.

(7) That in addition to the submittal of plans of development and operation required under Order No. (4) above, the operator shall file with the Commission tentative four-year plans for unitized operations within the Bravo Dome Unit.

(8) That said four-year plan of operations shall be for informational purposes only, but may be considered by the Commission during its quadrennial review of unit operations.

(9) That the initial four-year plan shall be filed with the Commission within 60 days following the entry of this order, and that subsequent such plans shall be filed every four years within 60 days before the anniversary date of the entry of this order.

(10) That this order shall become effective 60 days after the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(11) 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 A****Bravo Dome Carbon Dioxide Gas Unit****Union County, New Mexico****Township 18 North, Range 34 East, N.M.P.M.**

Sections 1 through 35: All  
Section 36: N/2, SW/4, N/2 SE/4, SW/4 SE/4

**Township 18 North, Range 35 East, N.M.P.M.**

Sections 1 through 36: All

**Township 18 North, Range 36 East, N.M.P.M.**

Section 2: Lots 1, 2, 3, 4, S/2 NW/4, N/2 SW/4  
Section 3: Lots 1, 2, 3, 4, S/2 N/2, SE/4  
Section 4: Lots 3, 4, S/2 NW/4, S/2  
Section 5: Lots 1, 2, 3, 4, S/2 N/2, SW/4  
Section 6: All  
Section 7: All  
Section 8: W/2  
Section 9: All  
Section 10: SW/4  
Section 17: SW/4  
Section 18: Lots 1, 2, 3, 4, E/2 W/2, SE/4  
Section 19: Lots 1, 2, 3, 4, E/2 W/2, SE/4  
Section 20: N/2 SW/4  
Section 21: SW/4  
Section 27: W/2, SW/4 SE/4  
Section 28: All  
Section 29: All  
Section 30: All  
Section 31: Lots 1, 2, 3, 4, E/2 W/2, SE/4, S/2 NE/4, NE/4 NE/4  
Sections 32 through 36: All

**Township 18 North, Range 37 East, N.M.P.M.**

Section 30: Lots 1, 2, E/2 NW/4, E/2 of Lots 3, 4  
Section 31: Lots 1, 2, 3, 4, W/2

**Township 19 North, Range 34 East, N.M.P.M.**

Sections 1 through 20: All  
Section 21: N/2, N/2 S/2, S/2 SE/4  
Sections 22 through 36: All

**Township 19 North, Range 35 East, N.M.P.M.**

Sections 1 through 36: All

**Township 19 North, Range 36 East, N.M.P.M.**

Section 18: S/2  
Section 19: All  
Section 20: N/2, NW/4 SW/4, S/2 SW/4  
Section 29: W/2, W/2 E/2, E/2 SE/4  
Section 30: All  
Section 31: All  
Section 32: NW/4, S/2  
Section 33: S/2, S/2 NE/4  
Section 34: E/2, S/2 NW/4  
Section 35: NW/4 SW/4

**Township 20 North, Range 34 East, N.M.P.M.**

Sections 1 through 36: All

**Township 20 North, Range 35 East, N.M.P.M.**

Section 3: SW/4  
Sections 4 through 9: All  
Section 15: S/2, S/2 NW/4  
Sections 16 through 22: All  
Sections 27 through 34: All

**Township 21 North, Range 34 East, N.M.P.M.**

Sections 1 through 3: All  
Section 7: Lot 4  
Sections 10 through 14: All  
Section 15: E/2, N/2 NW/4, SE/4 NW/4  
Section 17: W/2, W/2 E/2, E/2 NE/4  
Sections 18 through 20: All  
Section 21: S/2  
Sections 22 through 36: All

**Township 21 North, Range 35 East, N.M.P.M.**

Section 4: SW/4 NW/4, SE/4 NE/4, SW/4, W/2 SE/4  
Section 5: W/2, W/2 SE/4, SE/4 SE/4  
Sections 6 through 9: All  
Section 10: NW/4 NW/4  
Sections 16 through 21: All  
Sections 28 through 33: All

**Township 22 North, Range 30 East, N.M.P.M.**

Sections 1 through 36: All

**Township 22 North, Range 31 East, N.M.P.M.**

Sections 1 through 14: All  
Section 15: E/2, W/2 W/2, E/2 SW/4, SE/4 NW/4  
Sections 16 through 36: All

**Township 22 North, Range 32 East, N.M.P.M.**

Sections 1 through 30: All  
Section 31: Lots 1, 2, 4, E/2 W/2, E/2  
Sections 32 through 36: All

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION  
FOR THE PURPOSE OF CONSIDERING:

APPLICATION OF BASS ENTERPRISES  
PRODUCTION CO. FOR APPROVAL OF  
THE EXPANSION OF THE ATOKA  
PARTICIPATING AREA IN THE JAMES  
RANCH UNIT, EDDY COUNTY, NEW MEXICO.

CASE NO. 11602

APPLICATION OF BASS ENTERPRISES  
PRODUCTION CO. FOR APPROVAL OF  
THE EXPANSION OF THE ATOKA  
PARTICIPATING AREA IN THE JAMES  
RANCH UNIT, EDDY COUNTY, NEW MEXICO.

CASE NO. 11603

Order No. R-279-A

ORDER OF THE DIVISION

**BY THE DIVISION**

This cause came on for hearing at 8:15 a. m. on November 17, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

Now, on this 19th day of December, 1997, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

**FINDS THAT:**

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

(2) Bass Enterprises Production Company ("Bass") is the successor operator of the James Ranch Unit that originally comprised approximately 20,656.98 acres, more or less, of State and Federal lands underlying portions of Townships 22 and 23 South, Ranges 30 and 31 East, NMPM, Eddy County, New Mexico. Said Unit agreement was approved by Division Order No. R-279, issued in Case 472 and dated March 17, 1953.

EXHIBIT

F

(3) In Case No. 11602, Bass seeks approval of the Third Expansion of the Participating Area for the Atoka formation in the James Ranch Unit Area including 1,683.13 acres, more or less, located in portions of Sections 35 and 36 of Township 22 South, Range 30 East, NMPM and portions of Sections 5, 6, 8 and 17 of Township 23 South, Range 31 East, NMPM, all in Eddy County, New Mexico.

(4) In Case No. 11603, Bass seeks approval of the Fourth Expansion of the Participating Area for the Atoka formation in the James Ranch Unit Area including 238.54 acres, more or less, located in portions of Section 12, Township 22 South, Range 30 East, NMPM, and portions of Section 7, Township 22 South, Range 31 East, NMPM, all in Eddy County, New Mexico.

(5) On February 22, 1996, the New Mexico Oil Conservation Division ("Division") granted administrative approval for the Third and Fourth Revisions to the James Ranch Unit Atoka Participating Area.

(6) By letter dated March 19, 1996, Enron Oil & Gas Company ("Enron") protested the proposed revisions and on April 3, 1996, requested that the Division rescind its approval of the proposed revisions asserting, among other matters, that it had not been given notice of the applications and therefore had not had an opportunity to protest the proposed expansions.

(7) By letter dated on July 22, 1996, Enron requested that these applications be set for hearing and the applications were docketed for hearing before a Division Examiner on August 22, 1996.

(8) These cases were continued from time to time during which time Bass filed its Motion to Dismiss Proceedings and Enron filed its Motion to Rescind Approval and Motion for Setting.

(9) On February 19, 1997 a special hearing was called by the Division for the consideration of these motions at which time Bass' Motion to Dismiss was denied, the Division's Approval of the Proposed Expansions was rescinded and the parties directed to confer and advise the Division of an agreed upon hearing date.

(10) Bass filed an application for hearing *de novo* on the February 19, 1997 Examiner rulings and thereafter appealed the denial of its application for hearing *de novo* to the District Court for Eddy County, New Mexico. The Court remanded the cases to the

Division and they were set for hearing on November 17, 1997.

(11) On November 13, 1997, Enron wrote the Division and advised that since a settlement had been reached with Bass it was withdrawing its objection to the applications of Bass for Approval of the Third and Fourth Revisions of the Atoka Participating Area in the James Ranch Unit.

(12) The cases were consolidated and came on for hearing before Examiner Stogner on November 17, 1997. The parties appeared through counsel and advised the Division that settlement had been reached between Bass, Enron, Shell Western E & P, Inc. ("Shell") and that Enron and Shell withdraw their objections to the Applications of Bass for Approval of the Third and Fourth Revisions of the Atoka Participating Area in the James Ranch Unit. Bass then requested that the original administrative approvals of the Proposed Third and Fourth Revisions of the Atoka Participating Area in the James Ranch Unit be reinstated.

(13) There no longer being an objection to the proposed expansion of the Atoka Participating Area in the James Ranch Unit, the February 22, 1996 approvals of these proposed expansions should be reinstated.

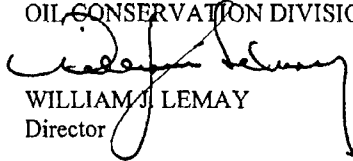
**IT IS THEREFORE ORDERED THAT:**

(1) The New Mexico Oil Conservation Division's administrative approvals dated February 22, 1996 of the proposed Third and Fourth Expansions of the Atoka Participating Area in the James Ranch Unit in Eddy County, New Mexico are hereby reinstated.

(2) Jurisdiction is hereby 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.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
WILLIAM J. LEMAY  
Director

SEAL

SHINNERY STATE UNIT  
Lea County, New Mexico

Order No. R- 11332, Approving the Shinnery State Unit Agreement,  
Lea County, New Mexico, March 22, 2000.

Application of Yates Petroleum Corporation for  
Approval of a Unit Agreement, Lea County, New  
Mexico.

Case No. 12336 (Reopened)  
Order No. R-11332

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on  
February 3, and March 16, 2000, at Santa Fe, New Mexico, before  
Examiner David R. Catanach.

NOW, on this 22nd day of March, 2000, 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 jurisdic-  
tion of this case and its subject matter.

(2) This case was originally heard on February 3, 2000, and subse-  
quently taken under advisement. In order to correct a deficiency in the  
advertisement, this case was reopened and heard on March 16, 2000.

(3) The applicant, Yates Petroleum Corporation, seeks approval of  
the Shinnery State Unit Agreement for all oil and gas in any and all  
formations correlated deeper than the total measured depth of the  
Prairie Schooner "AIF" State Well No. 1, located in Lot 3, Section 5,  
Township 10 South, Range 34 East, NMPM, as shown on the electric  
log dated January 7, 1991, underlying the following described 2,400  
acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM

Section 32: All

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM

Section 4: SW/4  
Section 5: All  
Section 8: All  
Section 9: W/2

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

(4) All plans of: (i) development and operation; (ii) creation, expan-  
sion or contraction of participating areas; or (iii) expansion or contrac-  
tion of the unit area should be submitted to the Director for approval.

(5) 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) The Shinnery State Unit Agreement is hereby approved for all oil  
and gas in any and all formations correlated deeper than the total  
measured depth of the Prairie Schooner "AIF" State Well No. 1, located  
in Lot 3, Section 5, Township 10 South, Range 34 East, NMPM, as  
shown on the electric log dated January 7, 1991, underlying the  
following described 2,400 acres, more or less, of State lands in Lea  
County, New Mexico:

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM

Section 32: All

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM

Section 4: SW/4  
Section 5: All  
Section 8: All  
Section 9: W/2

(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 which 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, counterparts of the unit agree-  
ment reflecting the subscription of those interests having joined or  
ratified.

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

(5) This order shall become effective upon the approval of the unit  
agreement by the Commissioner of Public Lands for the State of New  
Mexico. 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.

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

EXHIBIT 6

INDIGO STATE UNIT  
Lea County, New Mexico

Order No. R-11366, Approving the Indigo State Unit Agreement,  
Chaves County, New Mexico, April 28, 2000.

Application of Yates Petroleum Corporation for  
Approval of a Unit Agreement, Lea County, New  
Mexico.

Case No. 12372  
Order No. R-11366

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on  
April 20, 2000, at Santa Fe, New Mexico, before Examiner Mark W.  
Ashley.

NOW, on this 28th day of April, 2000, 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 jurisdic-  
tion of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation, seeks approval of  
the Indigo State Unit Agreement for all oil and gas in any and all  
formations underlying the following described 2,213.67 acres, more or  
less, of State lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM

Section 5: All  
Section 6: W/2  
Section 7: All  
Section 8: All

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

(4) All plans of: (i) development and operation; (ii) creation, expan-  
sion or contraction of participating areas; or (iii) expansion or contrac-  
tion of the unit area should be submitted to the Director for approval.

(5) 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) The Indigo State Unit Agreement is hereby approved for all oil  
and gas in any and all formations underlying the following described  
2,213.67 acres, more or less, of State lands in Lea County, New  
Mexico:

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM

Section 5: All  
Section 6: W/2  
Section 7: All  
Section 8: All

(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 copy 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, counterparts of the unit agree-  
ment reflecting the subscription of those interests having joined or  
ratified.

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

(5) This order shall become effective upon the approval of the unit  
agreement by the Commissioner of Public Lands for the State of New  
Mexico. 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.

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

**RED HILLS NORTH UNIT**  
Lea County, New Mexico

Order No. R-11388, Approving the Red Hills North Unit Agreement,  
Lea County, New Mexico, May 25, 2000.

Application of EOG Resources, Inc. for a Unit  
Agreement, Lea County, New Mexico.

CASE NO. 12329  
Order No. R-11388

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came on for hearing at 8:15 a.m. on May 18, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 25th day of May, 2000, the Division Director, having considered 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) At the hearing, Division Cases No. 12329 and 12399 were consolidated for the purpose of testimony.

(3) The applicant, EOG Resources, Inc. ("EOG"), seeks approval of its Red Hills North Unit Agreement for an area comprising 3,551.81 acres, more or less, of state and federal lands in Lea County, New Mexico, as further described in the attached Exhibit "A."

(4) The unitized formation, as described within the Red Hills North Unit Agreement, is to include the interval identified as the Third Bone Spring Sand within the designated and Undesignated Red Hills-Bone Spring Pool that extends from a measured depth of 12,233 feet to 12,408 feet. Both depths (measured from the kelly drive bushing elevation of 3,430 feet above sea level) are identified on the Atlas Wireline Services Compensated Density - Neutron log run on June 24, 1994, in the Enron Oil & Gas Company Hallwood "12" Federal Well No. 6 (API No. 30-025-32527) located 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 12.

(5) Within the Red Hills North Unit Area, the applicant proposes to initiate secondary recovery operations (being the subject of companion Case No. No. 12399) and drill several horizontal wellbores/drainholes within this Third Bone Spring Sand.

(6) EOG has obtained 100% voluntary joinder of the working and overriding royalty interests within the unit area. The U. S. Bureau of Land Management has indicated its preliminary approval by designating the unit as logical for conducting secondary recovery operations, and the New Mexico Commissioner of Public Lands, acting on behalf of the state's trust lands, has preliminarily approved the proposed unitization.

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

(8) All plans of development and operation, creation, expansion or contraction of participating areas, or expansions or contractions of the unit area should be submitted to the Division Director for approval.

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

**IT IS THEREFORE ORDERED THAT:**

(1) The application of EOG Resources, Inc. ("EOG") for approval of its Red Hills North Unit Agreement for an area comprising 3,551.81

acres, more or less, of state and federal lands in Lea County, New Mexico, as further described in the attached Exhibit "A," for the purpose of establishing secondary recovery operations and drilling several horizontal wellbores/drainholes, is hereby granted.

(2) The unitized formation, as described within the Red Hills North Unit Agreement, shall include that interval identified as the Third Bone Spring Sand within the designated and Undesignated Red Hills-Bone Spring Pool that extends from a measured depth of 12,233 feet to 12,408 feet. Both depths (measured from the kelly drive bushing elevation of 3,430 feet above sea level) are identified on the Atlas Wireline Services Compensated Density - Neutron log run on June 24, 1994, in the Enron Oil & Gas Company Hallwood "12" Federal Well No. 6 (API No. 30-025-32527), located 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 12.

(3) 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.

(4) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(5) All (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(6) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the appropriate agency of the United States Department of the Interior. 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.

(7) 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.

**EXHIBIT "A"**  
CASE NO. 12329 ORDER NO. R-11388  
EOG RESOURCES, INC.  
RED HILLS NORTH UNIT AREA  
LEA COUNTY, NEW MEXICO

**TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM**

Section 1: Lots 2 and 3, SW/4 NE/4, SE/4 NW/4, and S/2  
Section 12: All  
Section 13: N/2 and E/2 SE/4

**TOWNSHIP 25 SOUTH, RANGE 34 EAST, NMPM**

Section 6: Lots 6 and 7, E/2 SW/4, and W/2 SE/4  
Section 7: All  
Section 8: W/2 SW/4  
Section 17: SW/4 NE/4, W/2, and W/2 SE/4  
Section 18: All

Federal lands: 3,475.81 acres 97.750161%  
State lands: 80.00 acres 2.249839%

**TRES CANAL EXPLORATORY UNIT**  
Chaves County, New Mexico

No. R-11417, Approving the Tres Canal Exploratory Unit Agreement, Chaves County, New Mexico, July 18, 2000.

Application of Yates Petroleum Corporation for a Unit Agreement, Chaves County, New Mexico.

CASE NO. 12443  
ORDER NO. R-11417

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on June 29, 2000 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 18th day of July, 2000, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Tres Canal Exploratory Unit Agreement for an area comprising the following described 3,200.00 acres, more or less, of state (3,120.00 acres, 97.50%) and fee (80.00 acres, 2.50%) lands in Chaves County, New Mexico:

**TOWNSHIP 8 SOUTH, RANGE 33 EAST, NMPM**

Section 23:	S/2
Section 25:	W/2
Sections 26 and 27:	All
Sections 34 and 35:	All.

The unitized formation, as described within the Tres Canal Exploratory Unit Agreement, is to be limited to only those formations correlated deeper than the Bough "C" member of the Cisco formation as identified in the Saxton Oil Company Crystal State Well No. 1 (API No. 30-005-20553) located 660 feet from the South and East lines (Unit P) of Section 35, Township 8 South, Range 33 East, NMPM, Chaves County, New Mexico.

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

(5) The operator should submit to the Division Director for approval all subsequent: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area.

(6) 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) The application of Yates Petroleum Corporation for approval of its Tres Canal Exploratory Unit Agreement for an area comprising the following described 3,200.00 acres, more or less, of state (3,120.00 acres, 97.50%) and fee (80.00 acres, 2.50%) lands in Chaves County, New Mexico is hereby granted:

**TOWNSHIP 8 SOUTH, RANGE 33 EAST, NMPM**

Section 23:	S/2
Section 25:	W/2
Sections 26 and 27:	All
Sections 34 and 35:	All.

(2) The unitized formation, as described within the Tres Canal Exploratory Unit Agreement, shall be limited to those formations correlated deeper than the Bough "C" member of the Cisco formation as identified in the Saxton Oil Company Crystal State Well No. 1 (API No. 30-005-20553) located 660 feet from the South and East lines (Unit P) of Section 35, Township 8 South, Range 33 East, NMPM, Chaves County, New Mexico.

(3) 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.

(4) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(5) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(6) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

(7) 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.

MANZANO KING STATE UNIT  
Lea County, New Mexico

Order No. R-11493, Approving the Manzano King State Unit Agreement, Lea County, New Mexico, November 16, 2000.

Application of Manzano Oil Corporation for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 12515  
Order No. R-11493

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on November 16, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 28<sup>th</sup> day of November, 2000, 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. 12515 and 12516 were consolidated at the time of the hearing for the purposes of testimony.

(3) The applicant, Manzano Oil Corporation, seeks approval of the Manzano King State Unit Agreement for all oil and gas in the Devonian formation underlying the following described 80 acres, more or less, of State and fee lands in Lea County, New Mexico:

TOWNSHIP 13 SOUTH, RANGE 37 EAST, NMPM

Section 35: SE/4 NE/4  
Section 36: SW/4 NW/4.

(4) The proposed unit was previously unitized pursuant to Division Order No. R-10916, issued in Case No. 11870 and dated November 20, 1997. It was subsequently terminated when completion attempts within the Devonian formation were unsuccessful.

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

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

(7) 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) The Manzano King State Unit Agreement is hereby approved for all oil and gas in the Devonian formation underlying the following described 80 acres, more or less, of State and fee lands in Lea County, New Mexico:

TOWNSHIP 13 SOUTH, RANGE 37 EAST, NMPM

Section 35: SE/4 NE/4  
Section 36: SW/4 NW/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 which 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, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All plans for: (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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

PAPALOTES STATE UNIT  
Lea County, New Mexico

Order No. R-11515, Approving the Papalotes State Unit Agreement,  
Lea County, January 24, 2001.

Application of Yates Petroleum Corporation for  
Approval of a Unit Agreement, Lea County, New  
Mexico.

Case No. 12549  
Order No. R-11515

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on  
December 7 and 21, 2000, at Santa Fe, New Mexico, before Examiners  
David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 24th day of January, 2001, 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 jurisdic-  
tion of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation, seeks approval of  
the North Papalotes State Unit Agreement for all oil and gas in any and  
all formations underlying the following described 1,600 acres, more or  
less, of State lands in Lea County, New Mexico:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM

Section 25: All  
Section 26: All  
Section 36: N/2

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

(4) All plans of: (i) development and operation; (ii) creation, expan-  
sion or contraction of participating areas; or (iii) expansion or contrac-  
tion of the unit area should be submitted to the Director for approval.

(5) 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) The North Papalotes Unit Agreement is hereby approved for all  
oil and gas in any and all formations underlying the following described  
1,600 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM

Section 25: All  
Section 26: All  
Section 36: N/2

(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, expan-  
sion or contraction of participating areas; or (iii) expansion or contrac-  
tion of the unit area shall be submitted to the Director for approval.

(5) This order shall become effective upon the approval of the unit  
agreement by the Commissioner of Public Lands for the State of New  
Mexico. 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.

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

NONOMBRE STATE UNIT  
Lea County, New Mexico

Order No. R-11576, Approving the Nonombre State Unit Agreement,  
Lea County, New Mexico, April 30, 2001.

Application of Yates Petroleum Corporation for a  
Unit Agreement, Lea County, New Mexico.

CASE NO. 12640  
ORDER NO. R-11576

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on  
April 19, 2001 at Santa Fe, New Mexico, before Examiner Michael E.  
Stogner.

NOW, on this 30<sup>th</sup> of April, 2001, the Division Director, having  
considered 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) The applicant, Yates Petroleum Corporation, seeks approval of  
its Nonombre State Unit Agreement for all oil and gas in all formations  
underlying the following described 2,562.72 acres, more or less, of  
state lands in Lea County, New Mexico:

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM  
Sections 29 through 32: All.

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

(4) The operator should submit to the Division Director for approval  
all subsequent: (i) plans of development and operation; (ii) creations,  
expansions or contractions of participating areas; and (iii) expansions  
or contractions of the unit area.

(5) 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) The Nonombre State Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations underlying the following described 2,562.72 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM  
Sections 29 through 32: All.

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

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**LUKE FEDERAL STATE UNIT**  
Eddy County, New Mexico

Order No. R-11607, Approving the Luke Federal State Unit Agreement, Eddy County, New Mexico, June 19, 2001.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Eddy County, New Mexico.

Case No. 12676  
Order No. R-11607

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came on for hearing at 8:15 a.m. on June 14, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of June, 2001, 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) The applicant, Yates Petroleum Corporation, seeks approval of the Luke Federal State Unit Agreement for all oil and gas in any and all formations underlying the following described 2,561.12-acres, more or less, of State and Federal lands in Eddy County, New Mexico:

**TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM**  
Sections 2 and 3: All  
Sections 9 and 10: All

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

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

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

**IT IS THEREFORE ORDERED THAT:**

(1) The Luke Federal State Unit Agreement is hereby approved for all oil and gas, in any and all formations, underlying the following described 2,561.12-acres, more or less, of State and Federal lands in Eddy County, New Mexico:

**TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM**  
Sections 2 and 3: All  
Sections 9 and 10: All

(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 which 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, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified, or instruments reflecting such expansion or contraction.

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

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico, and the Responsible Officer of the appropriate agency of the United States Department of the Interior. 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.

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

**CAT HEAD MESA UNIT**  
Socorro County, New Mexico

Order No. R-11698, Approving the Cat Head Mesa Unit Agreement,  
Socorro County, New Mexico, November 28, 2001.

Application of Primero Operating, Inc. for Ap-  
proval of a Unit Agreement, Socorro County, New  
Mexico.

Case No. 12766  
Order No. R-11698

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came on for hearing on November 15, 2001 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of November, 2001, the Division Director, having considered 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) The applicant, Primero Operating, Inc., seeks approval of its Cat Head Mesa Unit Agreement for all oil and gas in all formations underlying an area comprising 37,339.04 acres, more or less, of state, federal, and fee lands in Socorro County, New Mexico, as further described in the attached Exhibit "A."

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

(4) The operator should submit to the Division Director for approval all subsequent: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area.

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

**IT IS THEREFORE ORDERED THAT:**

(1) The Cat Head Mesa Unit Agreement executed by Primero Operating, Inc. is hereby approved for all oil and gas in all formations underlying an area comprising 37,339.04 acres, more or less, of state, federal, and fee lands in Socorro County, New Mexico, as further described in the attached Exhibit "A."

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

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the appropriate agency of the United States Department of the Interior. 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.

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

**EXHIBIT "A"**  
**CASE NO. 12766**  
**ORDER NO. R-11698**  
**PRIMERO OPERATING, INC.**  
**CAT HEAD MESA UNIT AREA**  
**SOCORRO COUNTY, NEW MEXICO**

**TOWNSHIP 3 SOUTH, RANGE 8 EAST, NMPM**  
Section 35: S/2  
Section 36: S/2

**TOWNSHIP 3 SOUTH, RANGE 9 EAST, NMPM**  
Section 31: All  
Section 32: S/2  
Section 33: S/2

**TOWNSHIP 4 SOUTH, RANGE 8 EAST, NMPM**  
Sections 1 through 3: All  
Sections 10 through 14: All  
Section 15: E/2  
Section 23: E/2  
Sections 24 and 25: All  
Section 36: E/2

**TOWNSHIP 4 SOUTH, RANGE 9 EAST, NMPM**  
Sections 2 through 11: All  
Section 12: W/2  
Sections 13 through 36: All

**TOWNSHIP 5 SOUTH, RANGE 8 EAST, NMPM**  
Section 1: Lots 1 and 2, S/2 NE/4, and SE/4

**TOWNSHIP 5 SOUTH, RANGE 9 EAST, NMPM**  
Sections 2 through 10: All  
Section 11: N/2.

Federal lands: 26,499.79 acres 70.97%  
State lands: 6,532.38 acres 17.50%  
Fee lands 4,306.87 acres 11.53%  
Total 37,339.04 acres

MOCHA STATE UNIT  
Lea County, New Mexico

Order No. R-11697, Approving the Mocha State Unit Agreement, Lea County, New Mexico, November 28, 2001.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 12761  
Order No. R-11697

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on November 15, 2001 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of November, 2001, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Mocha State Unit Agreement for all oil and gas in all formations underlying the following described 2,877.88 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM  
Sections 33 through 35: All

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM  
Section 2: All  
Section 11: N/2.

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

(4) The operator should submit to the Division Director for approval all subsequent: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area.

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

IT IS THEREFORE ORDERED THAT:

(1) The Mocha State Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations underlying the following described 2,877.88 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM  
Sections 33 through 35: All

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM  
Section 2: All  
Section 11: N/2.

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

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

NEW GRASS STATE UNIT  
Lea County, New Mexico

Order No. R-11746, Approving the New Grass State Unit Agreement,  
Lea County, New Mexico, March 7, 2002.

Application of Yates Petroleum Corporation for  
Approval of a Unit Agreement, Lea County, New  
Mexico.

Case No. 12831  
Order No. R-11746

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on  
March 7, 2002, at Santa Fe, New Mexico, before Examiner David R.  
Catanach.

NOW, on this 28th day of March, 2002, 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 jurisdic-  
tion of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation, seeks approval of  
the New Grass State Unit Agreement for all oil and gas in any and all  
formations underlying the following described 3,200 acres, more or  
less, of State lands in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM

Section 9:	S/2
Sections 15 and 16:	All
Section 21:	N/2
Section 22:	N/2
Section 23:	All
Section 24:	N/2

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

(4) 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 Yates Petroleum Corporation, the  
New Grass State Unit Agreement is hereby approved for all oil and gas  
in any and all formations underlying the following described 3,200  
acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM

Section 9:	S/2
Sections 15 and 16:	All
Section 21:	N/2
Section 22:	N/2
Section 23:	All
Section 24:	N/2

(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, expan-  
sion or contraction of participating areas; or (iii) expansion or contrac-  
tion of the unit area shall be submitted to the Director for approval.

(5) This order shall become effective upon the approval of the unit  
agreement by the Commissioner of Public Lands for the State of New  
Mexico. 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.

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

**BIG HAT STATE UNIT**  
Lea County, New Mexico

Order No. R-11779, Approving the Big Hat State Unit Agreement, Lea County, New Mexico, May 30, 2002.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 12870  
Order No. R-11779

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came on for hearing on May 30, 2002 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 7th day of June, 2002, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Big Hat State Unit Agreement for all oil and gas in all formations underlying the following described 3,261.32 acres, more or less, of state lands in Lea County, New Mexico:

**TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM**  
Irregular Sections 2 and 3: All  
Sections 10 and 11: All

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

(4) The operator should submit to the Division Director for approval all subsequent: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area.

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

**IT IS THEREFORE ORDERED THAT:**

(1) The Big Hat State Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations underlying the following described 3,261.32 acres, more or less, of state lands in Lea County, New Mexico:

**TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM**  
Irregular Sections 2 and 3: All  
Sections 10 and 11: All

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

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**E-K QUEEN UNIT**  
(Amendment - Order No. R-2913-A)  
Lea County, New Mexico

Order No. R-2913-A, Amending the E-K Queen Unit Agreement, Lea County, New Mexico, July 24, 2002.

Application of Seely Oil Company for Contraction of the Unitized Formation in the E-K Queen Unit, Lea County, New Mexico.

Case No. 12891  
Order No. R-2913-A

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing on July 11, 2002 at Aztec, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 24th day of July, 2002, the Division Director, having considered 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) By Order No. R-2913, issued in Case No. 3255 on June 1, 1965, the Division, upon application of Socony Mobil Oil Company, approved the E-K Queen Unit Agreement, which is a voluntary unit comprising the following-described 2,895.36 acres, more or less, of State (880.00 acres or 30.4%), Federal (1975.36 acres or 68.2%), and fee (40.00 acres or 1.4%) lands in Lea County, New Mexico, for the purpose of initiating and conducting secondary recovery operations (see Division Order No. R-2914, issued in Case No. 3256 on June 1, 1965):

**TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM**

Sections 13 and 14: All  
Section 23: N/2 and N/2 SE/4  
Section 24: N/2, N/2 SW/4, SE/4 SW/4, and SE/4

**TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM**

Section 18: W/2 NW/4 and SE/4 NW/4, SW/4, and W/2 SE/4  
Section 19: NW/4, N/2 SW/4, and SW/4 SW/4.

(3) The applicant, Seely Oil Company ("Seely") as successor operator of the E-K Queen Unit and associated waterflood project, seeks to amend the E-K Queen Unit Agreement by revising the definition of the "Unitized Formation" as originally incorporated in the Unit Agreement.

(4) The original "Unitized Formation," set forth in Article 2.7 of the Unit Agreement dated January 1, 1965, describes the Queen Formation being that interval from the top of the Queen Sand or Artesia Red Sand Member at 4,352 feet on the Gamma Ray-Neutron Log in the Carper Drilling Company's Carper-Sivley Well No. 9 (API No. 30-045-01634), now designated the E-K Queen Unit Well No. 19, located 1980 feet from the South line and 1650 feet from the East line (Unit J) of Section 24, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, 300 feet downward and including the Penrose Sand Member.

(5) Seely now proposes to contract the vertical limits of the "Unitized Formation" by excluding the Penrose Sand Member and amending the definition of the "Queen Sand or Queen Formation" (Article 2.7) as follows:

"2.7 The Queen Sand or Queen Formation is defined as and shall mean those heretofore established underground reservoirs that exist in the interval from the top of the Queen Sand or Artesia Red Sand

member as is picked at 4,352 feet on the Gamma Ray-Neutron Log in the Carper Drilling Company's Carper-Sivley Well No. 9 (API No. 30-045-01634), now designated the E-K Queen Unit Well No. 19, located 1980 feet from the South line and 1650 feet from the East line (Unit J) of Section 24, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, 200 feet downward. All depths are included in the Queen formation of the Guadalupian Series, a part of the Permian System, insofar as the same lies within the Unit Area."

(6) According to the evidence presented, there is not currently, nor has there been for many years, production from the lower Penrose Sand Member of the Queen formation within the Unit Area. Further, the waterflood operations being conducted within the E-K Queen Unit Area are confined to two prolific producing intervals within the uppermost Queen formation, identified as the "Upper" and "Main" Queen pays.

(7) At this time 100% of the working interest owners in the E-K Queen Unit have approved Seely's proposed contraction of the "Unitized Formation." Further, the U. S. Bureau of Land Management and the Commissioner of Public Lands for the State of New Mexico have no objection to this amendment.

(8) No interest owner appeared at the hearing in opposition to the application.

(9) Approval of the proposed amendment to the E-K Queen Unit Agreement will enable the applicant to initiate plans for establishing a separate secondary recovery project in the Penrose Sand underlying the Unit Area and within the immediate area.

(10) Approval of the proposed amendment to the E-K Queen Unit Agreement is supported by sound engineering principles and serves to promote the prevention of waste and protection of correlative rights within the unit area and surrounding acreage.

**IT IS THEREFORE ORDERED THAT:**

(1) The application of Seely Oil Company ("Seely") for an amendment to the E-K Queen Unit Agreement, originally approved by Division Order No. R-2913, issued in Case No. 3255 on June 1, 1965, to provide for the vertical contraction of the "Unitized Formation" is hereby granted.

(2) The Penrose Sand Member is hereby deleted from the vertical limits of the "Unitized Formation" and Article 2.7 of the E-K Queen Unit Agreement dated January 1, 1965 shall be amended as follows:

"2.7 The Queen Sand or Queen Formation is defined as and shall mean those heretofore established underground reservoirs that exist in the interval from the top of the Queen Sand or Artesia Red Sand member as is picked at 4,352 feet on the Gamma Ray-Neutron Log in the Carper Drilling Company's Carper-Sivley Well No. 9 (API No. 30-045-01634), now designated the E-K Queen Unit Well No. 19, located 1980 feet from the South line and 1650 feet from the East line (Unit J) of Section 24, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, 200 feet downward. All depths are included in the Queen formation of the Guadalupian Series, a part of the Permian System, insofar as the same lies within the Unit Area."

(3) The contraction of the vertical limits of the E-K Queen Unit shall become effective as per the applicable provisions of the Unit Agreement and upon approval of such vertical contraction by the U. S. Bureau of Land Management and Commissioner of Public Lands for the State of New Mexico.

(4) All other provisions of Division Order No. R-2913 shall remain in full force and affect until further notice.

(5) 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.

**WEST ECHOLS STATE EXPLORATORY UNIT**  
Lea County, New Mexico

Order No. R-11823, Approving the West Echols State Exploratory Unit Agreement, Lea County, New Mexico, August 29, 2002.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 12911  
Order No. R-11823

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing on August 22, 2002 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 29th day of August, 2002, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its West Echols State Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 11,284.24 acres, more or less, of state lands in Lea County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 37 EAST, NMPM**  
Section 36: All

**TOWNSHIP 11 SOUTH, RANGE 37 EAST, NMPM**  
Irregular Section 1: All  
Irregular Section 2: Lots 1 and 2, S/2 SW/4, and SE/4  
Sections 10 through 16: All  
Section 23: N/2 N/2  
Section 24: N/2

**TOWNSHIP 11 SOUTH, RANGE 38 EAST, NMPM**  
Irregular Sections 4, 5, and 6: All  
Sections 7 through 9: All  
Section 17: All  
Section 18: W/2  
Section 19: N/2  
Section 20: All.

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The operator should submit to the Division Director for approval all subsequent: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area.

(5) It appears at this time that approval of the proposed unit agreement serves to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The West Echols State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations underlying the following-described 11,284.24 acres, more or less, of state lands in Lea County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 37 EAST, NMPM**  
Section 36: All

**TOWNSHIP 11 SOUTH, RANGE 37 EAST, NMPM**  
Irregular Section 1: All  
Irregular Section 2: Lots 1 and 2, S/2 SW/4, and SE/4  
Sections 10 through 16: All  
Section 23: N/2 N/2  
Section 24: N/2

**TOWNSHIP 11 SOUTH, RANGE 38 EAST, NMPM**  
Irregular Sections 4, 5, and 6: All  
Sections 7 through 9: All  
Section 17: All  
Section 18: W/2  
Section 19: N/2  
Section 20: All.

(2) The plan contained in the unit agreement for the development and operation of the 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. This order shall terminate upon the termination of the unit agreement. The fast 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.

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

**CALFROPE STATE EXPLORATORY UNIT**  
Lea County, New Mexico

Order No. R-11839, Approving the Calfrope State Exploratory Unit Agreement, Lea County, New Mexico, September 27, 2002.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement and an Unorthodox Gas Well Location, Lea County, New Mexico.

Case No. 12923  
Order No. R-11839

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came on for hearing on September 19, 2002 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 27th day of September, 2002, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of its Calfrope State Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 1,560.00 acres, more or less, of state lands in Lea County, New Mexico:

**TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM**  
Section 28: NW/4 NW/4, S/2 NW/4, and SW/4  
Section 29: All  
Section 32: All.

(3) The applicant further seeks approval of an unorthodox gas well location for the initial well within the Unit Area for the plugged and abandoned Chevron U.S.A. Inc. Chevron "28" State Well No. 1 (API No. 30-025-30728), to be redesignated the Calfrope State Unit Well No. 1, located 2068 feet from the South line and 610 feet from the West line (Unit L) of Section 28, Township 15 South, Range 34 East, NMPM, Chaves County, New Mexico.

(4) The testimony presented and Division records demonstrate that:

(a) this well was originally drilled by Chevron U.S.A. Inc. in 1989 to a total depth of 11,650 feet to test the Strawn formation at a standard oil well location within a standard 40-acre oil spacing and proration unit comprising the NW/4 SW/4 of Section 28;

(b) in January, 1990 the well tested dry and was plugged and abandoned; and

(c) Yates now intends to reenter this well and deepen it to a depth of 14,000 feet in order to test the Mississippian formation for gas.

(5) Pursuant to Yates's request, the primary objective for this well is the Undesignated North Eidson-Morrow Gas Pool (76360), with the wildcat Wolfcamp, Cisco/Canyon, and Mississippian formations as secondary targets.

(6) The W/2 of Section 28, being a standard 320-acre stand-up gas spacing unit for all four intervals [see Division Rule 104.C(2)], is to be dedicated to this well.

(7) No interested party appeared or otherwise objected to the proposed unit agreement. Furthermore, no offset operator and/or interest owner appeared at the hearing in opposition to the proposed unorthodox gas well location.

(8) The operator should submit to the Division Director for approval all subsequent: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area.

(9) The approval of the proposed unit agreement will prevent waste and protect correlative rights within the lands assigned to the unit area.

(10) Approval of the proposed unorthodox gas well location for the unit's initial well provides an economical means to test the Morrow and deeper Mississippian formation for commercial gas production, prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and otherwise prevent waste.

**IT IS THEREFORE ORDERED THAT:**

(1) The Calfrope State Exploratory Unit Agreement executed by Yates Petroleum Corporation ("Yates") is hereby approved for all oil and gas in all formations underlying the following-described 1,560.00 acres, more or less, of state lands in Lea County, New Mexico:

**TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM**  
Section 28: NW/4 NW/4, S/2 NW/4, and SW/4  
Section 29: All  
Section 32: All.

(2) The plan contained in the unit agreement for the development and operation of the 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 operation of 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 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

**IT IS FURTHER ORDERED THAT:**

(6) Yates is authorized to reenter the plugged and abandoned Chevron U.S.A. Inc. Chevron "28" State Well No. 1 (API No. 30-025-30728), to be redesignated the Calfrope State Unit Well No. 1, located at an unorthodox gas well location 2068 feet from the South line and 610 feet from the West line (Unit L) of Section 28, Township 15 South, Range 34 East, NMPM, Chaves County, New Mexico, and deepen it to a depth of 14,000 feet in order to test the Mississippian formation for gas.

(7) The W/2 of Section 28, being a standard 320-acre stand-up gas spacing unit for the Undesignated North Eidson-Morrow Gas Pool (76360), the Wolfcamp, Cisco/Canyon, and Mississippian formations, is to be dedicated to this well.

(8) 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.

TEN MILE FEDERAL STATE UNIT  
Chaves County, New Mexico

Order No. R-11852, Approving the Ten Mile Federal State Unit Agreement, Chaves County, New Mexico, October 24, 2002.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Chaves County, New Mexico.

Case No. 12938  
Order No. R-11852

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on October 10, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of October, 2002, 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) The applicant, Yates Petroleum Corporation, seeks approval of the Ten Mile Federal State Unit Agreement for all oil and gas in any and all formations underlying the following-described 3,440 acres, more or less, of State and Federal lands in Chaves County, New Mexico:

TOWNSHIP 14 SOUTH, RANGE 28 EAST, NMPM

Section 20:	E/2 NE/4, SE/4
Section 21:	All
Sections 28 & 29:	All
Sections 32 & 33:	All

(3) The proposed Ten Mile Federal State Unit Agreement originally contained approximately 3,840 acres; however, Yates requested at the hearing that the W/2 and W/2 NE/4 be deleted from the proposed unit.

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

(5) 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 Yates Petroleum Corporation, the Ten Mile Federal State Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following described 3,440 acres, more or less, of State and Federal lands in Chaves County, New Mexico:

TOWNSHIP 14 SOUTH, RANGE 28 EAST, NMPM

Section 20:	E/2 NE/4, SE/4
Section 21:	All
Sections 28 & 29:	All
Sections 32 & 33:	All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico and the United States Bureau of Land Management. 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.

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

DEMPSTER STATE EXPLORATION UNIT  
Lea County, New Mexico

Order No. R-11911, Approving the Dempster State Exploratory Unit Agreement, Lea County, New Mexico, February 27, 2003.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 12984  
Order No. R-11911

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on February 6, 2003, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 27<sup>th</sup> day of February, 2003, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Dempster State Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 3,830.08 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 36 EAST, NMPM  
Sections 28 through 33: All.

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Dempster State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations underlying the following described 3,830.08 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 36 EAST, NMPM  
Sections 28 through 33: All.

(2) The plan contained in the Dempster State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

ARLEY FEDERAL EXPLORATORY UNIT  
Eddy County, New Mexico

Order No. R-11927, Approving the Arley Federal Exploratory Unit Agreement, Eddy County, New Mexico, March 25, 2003.

Application of Yates Petroleum Corporation for a Unit Agreement, Eddy County, New Mexico.

Case No. 13018  
Order No. R-11927

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on March 13, 2003 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 25th day of March, 2003, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Arley Federal Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 2,925.50 acres, more or less, of Federal (2,845.50 acres or 97.27%) and fee (80.00 acres or 2.73%) lands in Eddy County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 21 EAST, NMPM  
Irregular Section 1: Lots 1, 2, 7, 8, 9, 10, and 11, SW/4 NE/4, and S/2 SE/4  
Section 12: All.

TOWNSHIP 20 SOUTH, RANGE 23 EAST, NMPM  
Sections 6 and 7: All  
Section 18: All.

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Arley Federal Exploratory Unit Agreement, executed by Yates Petroleum Corporation, is hereby approved for all oil and gas in all formations underlying the following-described 2,925.50 acres, more or less, of Federal (2,845.50 acres or 97.27%) and fee (80.00 acres or 2.73%) lands in Eddy County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 21 EAST, NMPM  
Irregular Section 1: Lots 1, 2, 7, 8, 9, 10, and 11, SW/4 NE/4, and S/2 SE/4  
Section 12: All

TOWNSHIP 20 SOUTH, RANGE 23 EAST, NMPM  
Sections 6 and 7: All  
Section 18: All.

(2) The plan contained in the Arley Federal Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Director of the appropriate agency of the United States Department of the Interior. 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.

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

OTIS STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-11920, Approving the Otis State Exploratory Unit Agreement, Lea County, New Mexico, March 20, 2003.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 13007  
Order No. R-11920

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on February 20, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 20th day of March, 2003, 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) The applicant, Yates Petroleum Corporation, seeks approval of the Otis State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following described 3,051 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM

Section 8:	All
Section 17:	All
Sections 19 & 20:	All
Section 30:	N/2, SE/4

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

(4) 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 Yates Petroleum Corporation, the Otis State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 3,051 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM

Section 8:	All
Section 17:	All
Sections 19 & 20:	All
Section 30:	N/2, SE/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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**BIPLANE FEDERAL STATE EXPLORATORY UNIT**  
Chaves County, New Mexico

Order No. R-11941, Approving the BiPlane Federal State Exploratory Unit Agreement, Chaves County, New Mexico, April 22, 2003.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Chaves County, New Mexico.

Case No. 13037  
Order No. R-11941

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came on for hearing at 8:15 a.m. on March 27, 2003, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 22nd day of April, 2003, 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) The applicant, Yates Petroleum Corporation, seeks approval of the BiPlane Federal State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following described 2,170.72 acres, more or less, of State, federal, and fee lands in Chaves County, New Mexico:

**TOWNSHIP 6 SOUTH, RANGE 27 EAST, NMPM**

Section 3:	Lots 3 and 4 (W/2)
Section 4:	All
Section 9:	All
Section 10:	W/2
Section 15:	W/2
Section 16:	All

(3) Both Section 3 and Section 4, Township 6 South, Range 27 East, NMPM, are survey correction sections and are much smaller than normal.

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

(5) The applicant testified that 100 percent of the working interest has ratified the proposed unit agreement.

(6) The primary drilling target is the Wolfcamp Spear interval with analogous production in the Foor Ranch-Wolfcamp Gas Pool.

(7) 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 Yates Petroleum Corporation, the BiPlane Federal State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following described 2,170.72 acres, more or less, of State, federal, and fee lands in Chaves County, New Mexico:

**TOWNSHIP 6 SOUTH, RANGE 27 EAST, NMPM**

Section 3:	Lots 3 and 4 (W/2)
Section 4:	All
Section 9:	All
Section 10:	W/2
Section 15:	W/2
Section 16:	All

(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 become effective upon the approval of the unit agreement by the United States Bureau of Land Management and the New Mexico State Land Office. 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.

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

WEST HAYSTACK UNIT AREA  
Chaves County, New Mexico

Order No. R-11939, Approving the West Haystack Unit Area Agreement, Chaves County, New Mexico, April 22, 2003.

Application of Read and Stevens, Inc. for Approval of a Unit Agreement, Chaves County, New Mexico.

Case No. 13033  
Order No. R-11939

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on March 27, 2003, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 22nd day of April, 2003, 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) The applicant, Read and Stevens, Inc., seeks approval of the West Haystack Unit Area Agreement for all oil and gas in any and all formations underlying the following described 1,910.80 acres, more or less, of federal and fee lands in Chaves County, New Mexico:

TOWNSHIP 6 SOUTH, RANGE 27 EAST, NMPM

Sections 7 and 8: All  
Section 18: All

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

(4) The applicant presented evidence that 85.3 percent of the working interest has ratified the proposed unit agreement.

(5) 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 Read and Stevens, Inc., the West Haystack Unit Area Agreement is hereby approved for all oil and gas in any and all formations underlying the following described 1,910.80 acres, more or less, of federal and fee lands in Chaves County, New Mexico:

TOWNSHIP 6 SOUTH, RANGE 27 EAST, NMPM

Sections 7 and 8: All  
Section 18: All

(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 become effective upon the approval of the unit agreement by the United States Bureau of Land Management. 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.

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

**E-K PENROSE SAND UNIT**  
Lea County, New Mexico

Order No. R-11930, Approving the E-K Penrose Sand Unit Agreement, Lea County, New Mexico, April 16, 2003.

Application of Seely Oil Company for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 12983  
Order No. R-11930

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came on for hearing at 8:15 a.m. on January 9, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 16th day of April, 2003, 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. 12983 and 12964 were consolidated at the hearing for the purpose of testimony.

(3) The applicant, Seely Oil Company ("Seely"), seeks approval of the E-K Penrose Sand Unit Agreement for all oil and gas in the Penrose Sand member of the Queen formation underlying the following-described 1,469.75 acres, more or less, of Federal and fee lands in Lea County, New Mexico:

**TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM**

Section 24: SE/4  
Section 25: NE/4

**TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM**

Section 19: S/2  
Section 20: W/2 SW/4, SE/4 SW/4  
Section 29: NW/4, N/2 SW/4  
Section 30: N/2, N/2 SE/4, E/2 SW/4

(4) The "Unitized Formation," as described within the E-K Penrose Sand Unit Agreement, is to comprise the Penrose Queen Sand, defined as those established underground reservoirs that exist in the interval from 4,640 feet to 4,750 feet as shown on the Compensated Density Log run on the C. W. Stumhoffer Federal "CS" Well No. 1 located 660 feet from the South line and 1980 feet from the East line, Unit O of Section 19, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico.

(5) Within the Unit Area, the applicant proposes to initiate a waterflood project for the secondary recovery of oil and gas from the Unitized Formation (being the subject of companion Case No. 12964).

(6) The applicant has secured the voluntary participation of 100% of the working and royalty interest owners within the proposed E-K Penrose Sand Unit.

(7) The applicant presented testimony to the effect that it has not yet secured the voluntary participation of all overriding royalty interest owners within the Unit Area, but that it anticipates obtaining voluntary joinder from these parties.

(8) The applicant presented further evidence that demonstrates that a portion of the acreage to be included within the proposed E-K

Penrose Sand Unit is currently contained within the E-K Queen Unit Area. The E-K Queen Unit Area was initially formed by Socony Mobil Oil Company for the purpose of initiating secondary recovery operations in the Queen formation. This unit was approved by Division Order No. R-2913 dated June 1, 1965;

(b) the "Unitized Formation" within the E-K Queen Unit Area originally comprised the entire Queen formation, including the Penrose Sand member. Secondary recovery operations within the E-K Queen Unit Area have only been conducted within the "Upper" and "Main" Queen pay intervals, and not within the Penrose Sand member; and

(c) by Division Order No. R-2913-A dated July 24, 2002, Seely Oil Company, the current operator of the E-K Queen Unit, was granted approval to contract the vertical limits of "Unitized Formation" to exclude the Penrose Sand member.

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

(10) 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 Seely Oil Company, the E-K Penrose Sand Unit Agreement is hereby approved for all oil and gas in the Penrose Queen Sand underlying the following-described 1,469.75 acres, more or less, of Federal and fee lands in Lea County, New Mexico:

**TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM**

Section 24: SE/4  
Section 25: NE/4

**TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM**

Section 19: S/2  
Section 20: W/2 SW/4, SE/4 SW/4  
Section 29: NW/4, N/2 SW/4  
Section 30: N/2, N/2 SE/4, E/2 SW/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 that have 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 become effective upon the approval of the unit agreement by the United States Bureau of Land Management. 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.

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

NORTHWEST JENKINS STATE UNIT  
Roosevelt County, New Mexico

Order No. R-11951, Approving the Northwest Jenkins State Unit Agreement, Roosevelt County, New Mexico, April 30, 2003.

Application of J. Cleo Thompson & James Cleo Thompson, Jr., L.P. for a Unit Agreement, Roosevelt County, New Mexico.

Case No. 13058  
Order No. R-11951

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on April 24, 2003 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 30th day of April, 2003, the Division Director, having considered 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) The applicant, J. Cleo Thompson & James Cleo Thompson, Jr., L.P., seeks approval of its Northwest Jenkins State Unit Agreement for all oil and gas in all formations underlying the following-described 320.00 acres, more or less, of state lands in Roosevelt County, New Mexico:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM  
Section 32: S/2.

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Northwest Jenkins State Unit Agreement executed by J. Cleo Thompson & James Cleo Thompson, Jr., L.P., is hereby approved for all oil and gas in all formations underlying the following-described 320.00 acres, more or less, of state lands in Roosevelt County, New Mexico:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM  
Section 32: S/2.

(2) The plan contained in the Northwest Jenkins State Unit Agreement 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**STARE STATE EXPLORATORY UNIT**  
Chaves County, New Mexico

Order No. R-11955, Approving the Stare State Exploratory Unit Agreement, Chaves County, New Mexico, May 5, 2003.

Application of Yates Petroleum Corporation for a Unit Agreement, Chaves County, New Mexico.

Case No. 13053  
Order No. R-11955

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came on for hearing on April 24, 2003 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 5th day of May, 2003, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Stare State Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 1600.00 acres, more or less, of state lands in Chaves County, New Mexico:

**TOWNSHIP 9 SOUTH, RANGE 27 EAST, NMPM**  
Section 8: All  
Section 9: S/2  
Section 16: All.

No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Stare State Exploratory Unit Agreement, executed by Yates Petroleum Corporation, is hereby approved for all oil and gas in all formations underlying the following-described 1600.00 acres, more or less, of state lands in Chaves County, New Mexico:

**TOWNSHIP 9 SOUTH, RANGE 27 EAST, NMPM**  
Section 8: All  
Section 9: S/2  
Section 16: All.

(2) The plan contained within the Stare State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

STRAIT STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-11947, Approving the Strait State Exploratory Unit Agreement, Lea County, New Mexico, April 24, 2003.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13051  
Order No. R-11947

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on April 24, 2003 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 24th day of April, 2003, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Strait State Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 3,840.00 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM  
Sections 20 and 21: All  
Sections 28 and 29: All  
Sections 32 and 33: All.

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Strait State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations underlying the following-described 3,840.00 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM  
Sections 20 and 21: All  
Sections 28 and 29: All  
Sections 32 and 33: All.

(2) The plan contained in the Strait State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**HUMIDOR STATE EXPLORATORY UNIT**  
Eddy County, New Mexico

Order No. R-11979, Approving the Humidor State Exploratory Unit Agreement, Eddy County, New Mexico, July 7, 2003.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Eddy County, New Mexico.

Case No. 13091  
Order No. R-11979

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on June 19, 2003, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 7th day of July, 2003, 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) The applicant, Yates Petroleum Corporation, seeks approval of the Humidor State Exploratory Unit Agreement for all oil and gas in any and all formations from the surface to the base of the Morrow formation underlying the following described 2,440 acres, more or less, of State of New Mexico lands in Eddy County, New Mexico:

**TOWNSHIP 24 SOUTH, RANGE 27 EAST, NMPM**

Section 13: SW/4, SW/4 NW/4  
Section 14: All  
Section 23: All  
Section 24: W/2  
Section 26: All

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

(4) The applicant testified that 100 percent of the working interest has ratified the proposed unit agreement.

(5) The applicant testified that 100 percent of the royalty interest is owned by the State of New Mexico and there are no overriding royalty interests in the Unit area. The New Mexico State Land Office has given preliminary approval to this proposed Unit.

(6) The primary drilling target is the Middle Morrow sand interval.

(7) 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 Yates Petroleum Corporation, the Humidor State Exploratory Unit Agreement is approved for all oil and gas in any and all formations from the surface to the base of the Morrow formation underlying the following described 2,440 acres, more or less, of State of New Mexico lands in Eddy County, New Mexico:

**TOWNSHIP 24 SOUTH, RANGE 27 EAST, NMPM**

Section 13: SW/4, SW/4 NW/4  
Section 14: All  
Section 23: All  
Section 24: W/2  
Section 26: All

(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 the unit.

(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 become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

WAYLON STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-11969, Approving the Waylon State Exploratory Unit Agreement, Lea County, New Mexico, June 9, 2003.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 13052  
Order No. R-11969

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on May 22, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 9th day of June, 2003, 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) The applicant, Yates Petroleum Corporation (Yates), seeks approval of the Waylon State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following-described 2,560 acres, more or less, of State and fee lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM

Section 14: All  
Section 15: All  
Section 21: All  
Section 22: All

(3) Yates testified that Tract No. 8 of the Waylon State Exploratory Unit, which contains 53.92-acres and which comprises portions of Lots 1, 2, 3 and 4 of Section 15, Township 11 South, Range 34 East, NMPM, is not currently being offered for lease by the Commissioner of Public Lands for the State of New Mexico due to topographic considerations. Yates further testified that in the event this acreage is offered for lease by the state, it will be required to be committed to the Waylon State Exploratory Unit.

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

(5) 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 Yates Petroleum Corporation, the Waylon State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 2,560 acres, more or less, of State and fee lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM

Section 14: All  
Section 15: All  
Section 21: All  
Section 22: All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

MANDRELL STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12033, Approving the Mandrell State Exploratory Unit Agreement, Lea County, New Mexico, September 18, 2003.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13145  
Order No. R-12033

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on September 18, 2003 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 26th day of September, 2003, 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) The applicant, Yates Petroleum Corporation, seeks approval of its Mandrell State Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 1,920 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 14 SOUTH, RANGE 35 EAST, NMPM

Sections 18 and 19: All  
Section 30: All

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Mandrell State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations underlying the following-described 1,920 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 14 SOUTH, RANGE 35 EAST, NMPM

Sections 18 and 19: All  
Section 30: All

(2) The plan contained in the Mandrell State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

KRIS STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12028, Approving the Kris State Exploratory Unit Agreement, Lea County, New Mexico, September 24, 2003.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13122  
Order No. R-12028

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on September 4, 2003 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 24th day of September, 2003, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Kris State Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 3200.00 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM  
Sections 27 through 29: All  
Sections 33 and 34: All.

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Kris State Exploratory Unit Agreement, executed by Yates Petroleum Corporation, is hereby approved for all oil and gas in all formations underlying the following-described 3200.00 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM  
Sections 27 through 29: All  
Sections 33 and 34: All.

(2) The plan contained within the Kris State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

CASH STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12070, Approving the Cash State Exploratory Unit Agreement, Lea County, New Mexico, December 15, 2003.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13181  
Order No. R-12070

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on November 7, 2003 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 15th day of December, 2003, 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) The applicant, Yates Petroleum Corporation, seeks approval of its Cash State Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 7,117.66 acres, more or less, of State lands and 40 acres of fee minerals situated in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM

Section 13: All  
Section 24: All  
Section 25: All  
Section 36: All

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM

Section 18: All  
Section 19: All  
Section 30: All  
Section 31: All

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM

Section 3: All  
Section 4: All  
Section 9: All  
Section 10: All

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Cash State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations underlying the following-described 7,117.66 acres, more or less, of State lands and 40 acres of fee minerals situated in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM

Section 13: All  
Section 24: All  
Section 25: All  
Section 36: All

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM

Section 18: All  
Section 19: All  
Section 30: All  
Section 31: All

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM

Section 3: All  
Section 4: All  
Section 9: All  
Section 10: All

(2) The plan contained in the Cash State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

REBA STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12088, Approving the Reba State Exploratory Unit Agreement, Lea County, New Mexico, January 15, 2004.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 13200  
Order No. R-12088

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on January 8, 2004, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of January, 2004, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Reba State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following-described 3,520 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM

Section 20: All  
Section 21: All  
Section 28: All  
Section 29: All  
Section 32: All  
Section 33: N/2

(3) The applicant appeared at the hearing through legal counsel and presented its evidence in this case by affidavit.

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

(5) 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 Yates Petroleum Corporation, the Reba State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 3,520 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM

Section 20: All  
Section 21: All  
Section 28: All  
Section 29: All  
Section 32: All  
Section 33: N/2

(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, of 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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**SAMUEL SMITH UNIT**  
Eddy County, New Mexico

Order No. R-12081, Approving the Samuel Smith Unit Agreement,  
Eddy County, New Mexico, January 15, 2004.

Application of Yates Petroleum Corporation for a  
Unit Agreement, Eddy County, New Mexico.

Case No. 13188  
Order No. R-12081

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing on December 4, 2003 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 15th day of January, 2004, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Samuel Smith Unit Agreement for all oil and gas in all formations underlying the following described 7,684.76 acres, more or less, of Federal (6,563.77 acres or 85.41%), State (960.99 acres or 12.51%), and fee (160.00 acres or 2.08%) lands in Eddy County, New Mexico:

**TOWNSHIP 23 SOUTH, RANGE 24 EAST, NMPM**

Sections 22 through 28: All  
Sections 32 and 33: All

**TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM**

Sections 5, 6, and 7: All.

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Samuel Smith Unit Agreement, executed by Yates Petroleum Corporation, is hereby approved for all oil and gas in all formations underlying the following-described 7,684.76 acres, more or less, of Federal (6,563.77 acres or 85.41%), State (960.99 acres or 12.51%), and fee (160.00 acres or 2.08%) lands in Eddy County, New Mexico:

**TOWNSHIP 23 SOUTH, RANGE 24 EAST, NMPM**

Sections 22 through 28: All  
Sections 32 and 33: All

**TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM**

Sections 5, 6, and 7: All.

(2) The plan contained within the Samuel Smith 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the appropriate agency of the United States Department of the Interior. 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.

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

WILLIE STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12089, Approving the Willie State Exploratory Unit Agreement, Lea County, New Mexico, January 15, 2004.

Application of Yates Petroleum Corporation for  
Approval of a Unit Agreement, Lea County, New  
Mexico.

Case No. 13201  
Order No. R-12089

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on January 8, 2004, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of January, 2004, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Willie State Exploratory Unit Agreement for all oil and gas in any all formations underlying the following-described 2,208 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM

Section 25: S/2

Section 36: E/2

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM

Section 30: All

Section 31: All

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM

Section 6: E/2

(3) The applicant appeared at the hearing through legal counsel and presented its evidence in this case by affidavit.

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

(5) 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 Yates Petroleum Corporation, the Willie State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following described 2,208 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM

Section 25: S/2

Section 36: E/2

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM

Section 30: All

Section 31: All

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM

Section 6: E/2

(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; however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, 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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**TUBB STATE EXPLORATORY UNIT**  
Lea County, New Mexico

Order No. R-12103, Approving the Tubb State Exploratory Unit Agreement, Lea County, New Mexico, February 17, 2004.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13209  
Order No. R-12103

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing on February 5, 2004 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 17th day of February, 2004, 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) The applicant, Yates Petroleum Corporation, seeks approval of its Tubb State Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 1,280 acres, more or less, of State lands situated in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM  
Section 16: All  
Section 17: All

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The applicant intends to target primarily the Atoka and Morrow formations while drilling within this proposed Unit.

(5) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Tubb State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations underlying the following-described 1,280 acres, more or less, of State lands situated in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM  
Section 16: All  
Section 17: All

(2) The plan contained in the Tubb State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

MERLE STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12114, Approving the Merle State Exploratory Unit Agreement, Lea County, New Mexico, March 2, 2004.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 13223  
Order No. R-12114

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on February 19, 2004, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of March, 2004, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Merle State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following-described 7,360 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM  
Section 1: All  
Sections 11 through 14: All  
Sections 23 through 25: All

TOWNSHIP 10 SOUTH, RANGE 35 EAST, NMPM  
Sections 6 and 7: All  
Section 18: All  
Section 19: N/2

(3) The applicant appeared at the hearing through legal counsel and presented its evidence in this case by affidavit.

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

(5) 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 Yates Petroleum Corporation, the Merle State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 7,360 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM  
Section 1: All  
Sections 11 through 14: All  
Sections 23 through 25: All

TOWNSHIP 10 SOUTH, RANGE 35 EAST, NMPM  
Sections 6 and 7: All  
Section 18: All  
Section 19: N/2

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**ATOKA BANK STATE EXPLORATORY UNIT**  
Lea County, New Mexico

Order No. R-12113, Approving the Atoka Bank State Exploratory Unit Agreement, Lea County, New Mexico, March 2, 2004.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 13221  
Order No. R-12113

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on February 19, 2004, at Santa Fe, New, Mexico, before Examiner David R. Catanach.

NOW, on this 2<sup>nd</sup> day of March, 2004, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Atoka Bank State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following-described 1,280 acres, more or less, of State lands in Lea County, New Mexico:

**TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM**

Section 8: All  
Section 17: All

(3) The applicant appeared at the hearing through legal counsel and presented its evidence in this case by affidavit.

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

(5) 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 Yates Petroleum Corporation, the Atoka Bank State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 1,280 acres, more or less, of State lands in Lea County, New Mexico:

**TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM**

Section 8: All  
Section 17: All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

Z-28 STATE EXPLORATORY UNIT  
Chaves County, New Mexico

Order No. R-12111, Approving the Z-28 State Exploratory Unit Agreement, Chaves County, New Mexico, March 2, 2004.

Application of Elk Oil Company for Approval of a Unit Agreement, Chaves County, New Mexico.

Case No. 13219  
Order No. R-12111

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on February 19, 2004, at Santa Fe, New Mexico, before Examiner David R Catanach.

NOW, on this 2nd day of March, 2004, 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) The applicant, Elk Oil Company ("Elk"), seeks approval of the Z-28 State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following-described 2,240 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM

Section 11: All  
Section 12: W/2  
Section 13: All  
Section 24: All

(3) The applicant appeared at the hearing through legal counsel and presented its evidence in this case by affidavit.

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

(5) 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 Elk Oil Company, the Z-28 State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 2,240 acres; more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM

Section 11: All  
Section 12: W/2  
Section 13: All  
Section 24: All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

LACY J STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12128, Adopting the Lacy J State Exploratory Unit Agreement, Lea County, New Mexico, April 8, 2004.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 13244  
Order No. R-12128

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on April 1, 2004, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 8th day of April, 2004, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Lacy J State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following-described 7,680 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM  
Sections 3 through 10: All  
Sections 15 through 18: All

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

(4) 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 Yates Petroleum Corporation, the Lacy J State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 7,680 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM  
Sections 3 through 10: All  
Sections 15 through 18: All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

OAKRIDGE STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12135, Adopting the Oakridge State Exploratory Unit Agreement, Lea County, New Mexico, April 23, 2004.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13250  
Order No. R-12135

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on April 15, 2004 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 23rd day of April, 2004, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Oakridge State Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 4093.38 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM  
Section 16: N/2  
Sections 17 through 20: All  
Sections 30 and 31: All.

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Oakridge State Exploratory Unit Agreement, executed by

Yates Petroleum Corporation, is hereby approved for all oil and gas in all formations underlying the following-described 4093.38 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM  
Section 16: N/2  
Sections 17 through 20: All  
Sections 30 and 31: All.

(2) The plan contained within the Oakridge State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**DICE STATE EXPLORATORY UNIT**  
Chaves County, New Mexico

Order No. R-12139, Adopting the Dice State Exploratory Unit Agreement, Chaves County, New Mexico, May 10, 2004.

Application of Yates Petroleum Corporation for a Unit Agreement, Chaves County, New Mexico.

Case No. 13230  
Order No. R-12139

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came on for hearing on March 18, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 10th day of May, 2004, 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) The applicant, Yates Petroleum Corporation, seeks approval of its Dice State Exploratory Unit Agreement for all oil and gas in all formations from the top of the San Andres to an approximate depth of 6,430 feet in the Pre-Cambrian formation underlying the following-described 3,840 acres, more or less, of State lands situated in Chaves County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM**

Section 10:	All
Sections 14 and 15:	All
Sections 22 and 23:	All
Section 27:	All

(3) This case was presented by affidavit.

(4) No interested party appeared or otherwise objected to the proposed unit agreement.

(5) The applicant intends to target primarily the Siluro-Devonian formation within this proposed Unit.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Dice State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the top of the San Andres to an approximate depth of 6,430 feet in the Pre-Cambrian formation underlying the following-described 3,840 acres, more or less, of State lands situated in Chaves County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM**

Section 10:	All
Sections 14 and 15:	All
Sections 22 and 23:	All
Section 27:	All

(2) The plan contained in the Dice State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

STATLER STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12140, Adopting the Statler State Exploratory Unit Agreement, Lea County, New Mexico, May 10, 2004.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13233  
Order No. R-12140

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on March 18, 2004 and on April 15, 2004, at Santa Fe, New Mexico, before Examiners William V. Jones and Michael E. Stogner, respectively.

NOW, on this 10th day of May, 2004, 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) The applicant, Yates Petroleum Corporation, seeks approval of its Statler State Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 3,839.60 acres, more or less, of State lands situated in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM

Section 33: S/2  
Section 34: All  
Section 35: W/2

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM

Sections 3 and 4: All  
Sections 9 and 10: All

(3) This case was presented by affidavit.

(4) No interested party appeared or otherwise objected to the proposed unit agreement.

(5) The applicant intends to test all formations within this proposed Unit.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Statler State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations underlying the following-described 3,839.60 acres, more or less, of State lands situated in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM

Section 33: S/2  
Section 34: All  
Section 35: W/2

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM

Sections 3 and 4: All  
Sections 9 and 10: All

(2) The plan contained in the Statler State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**BODDINGTON FEDERAL EXPLORATORY UNIT**  
Eddy County, New Mexico

Order No. R-12180, Adopting the Boddington Federal Exploratory Unit Agreement, Eddy County, New Mexico, August 2, 2004.

Application of Yates Petroleum Corporation for a Unit Agreement, Eddy County, New Mexico.

Case No. 13298  
Order No. R-12180

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing on July 8, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 2nd day of August, 2004, 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) The applicant, Yates Petroleum Corporation, seeks approval of its Boddington Federal Exploratory Unit Agreement for all oil and gas in all formations from the surface to the top of the Mississippian formation underlying the following-described 3,200 acres, more or less, of federal and fee lands situated in Eddy County, New Mexico:

**TOWNSHIP 20 SOUTH, RANGE 23 EAST, NMPM**

Section 5:	All
Section 8:	All
Section 9:	All
Section 17:	All
Section 20:	All

(3) The applicant presented two witnesses at the hearing with testimony as follows.

(a) Initially, the unit area was to include Section 29 and part of Section 16 of Township 20 South, Range 23 East, and was not to include Section 9. In addition, the initial well was to be in the SW/4 of Section 20. After negotiations with David H. Arrington Oil and Gas and in late May or early June of 2004, the applicant revised the proposed unit, at which time Section 9 was added, Section 29 and Section 16 were dropped, and the well location changed to Unit K of Section 17.

(b) The initial well will be drilled to a depth of 8,900 feet in order to test the Lower Morrow formation.

(c) The primary target is the Lower Morrow formation, with secondary targets being the Atoka, Strawn, and Cisco formations.

(d) Sections 5, 8, 17, and 20 all have potential oil and gas recovery from the Lower Morrow formation. Section 9 was mapped as not having potential in the Lower Morrow but does have potential for oil and gas recovery in the Strawn and Cisco Canyon.

(e) There are six federal tracts and one fee tract to be included in the unit.

(f) The applicant received a commitment from 92.5 percent of the working interests. Arrington Oil and Gas is expected to join the pro-

posed unit but Dominion Oklahoma Texas Exploration and Production Company, Inc. is not expected to join.

(g) The proposed Unit Agreement, proposed Operating Agreement, and preliminary letter of support from the United States Bureau of Land Management were presented at the hearing.

(4) David H. Arrington Oil & Gas, Inc., was represented at the hearing by counsel, presented no witnesses and did not oppose the unit.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Boddington Federal Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the top of the Mississippian formation underlying the following-described 3,200 acres, more or less, of federal and fee lands situated in Eddy County, New Mexico:

**TOWNSHIP 20 SOUTH, RANGE 23 EAST, NMPM**

Section 5:	All
Section 8:	All
Section 9:	All
Section 17:	All
Section 20:	All

(2) The plan contained in the Boddington Federal Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the United States Bureau of Land Management. 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.

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

**BARRACUDA STATE EXPLORATORY UNIT**  
Chaves County, New Mexico

Order No. R-12186, Approving the Barraduca State Exploratory Unit Agreement, Chaves County, New Mexico, August 9, 2004.

Application of Yates Petroleum Corporation for a Unit Agreement, Chaves County, New Mexico.

Case No. 13297  
Order No. R-12186

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came on for hearing on July 22, 2004 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 9th day of August, 2004, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Barracuda State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Silurian System underlying the following-described 3,196.32 acres, more or less, of state lands in Chaves County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM**

Irregular Sections 4 and 5:	All
Sections 8 and 9:	All
Section 17:	All

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Barracuda State Exploratory Unit Agreement, executed by Yates Petroleum Corporation, is hereby approved for all oil and gas in all formations from the surface to the base of the Silurian System underlying the following-described 3,196.32 acres, more or less, of state lands in Chaves County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM**

Irregular Sections 4 and 5:	All
Sections 8 and 9:	All
Section 17:	All

(2) The plan contained within the Barracuda State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**STINGRAY STATE EXPLORATORY UNIT**  
Chaves County, New Mexico

Order No. R-12178, Adopting the Stingray State Exploratory Unit Agreement, Chaves County, New Mexico, July 27, 2004.

Application of Yates Petroleum Corporation for a Unit Agreement, Chaves County, New Mexico.

Case No. 13296  
Order No. R-12178

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came on for hearing on July 8, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 27th day of July, 2004, 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) The applicant, Yates Petroleum Corporation, seeks approval of its Stingray State Exploratory Unit Agreement for all oil and gas in all formations from the surface to base of the Siluro-Devonian formation underlying the following-described 1,913.22 acres, more or less, of State of New Mexico and fee lands situated in Chaves County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM**  
Section 12: E/2

**TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM**  
Section 6: Lots 6 and 7 (W/2 SW/4), E/2 SW/4, and SE/4 (S/2 equivalent)  
Section 7: Lots 1 through 4 (W/2 W/2), E/2 W/2, and E/2 (ALL)  
Section 18: Lots 1 through 4 (W/2 W/2), E/2 W/2, and E/2 (ALL)

(3) The applicant presented two witnesses at the hearing with testimony as follows.

(a) The primary target is the Wolfcamp-Spear formation, with the secondary target being the Siluro-Devonian.

(b) The initial well will be drilled to a depth of 6,700 feet deep, which is sufficient to test the Siluro-Devonian.

(c) There are four state leases and one fee lease to be included in the unit.

(d) All of the working interests have joined. All royalty interests have joined due to the joinder of the lessees.

(e) The Commissioner of Public Lands has granted preliminary approval of the unit.

(4) No interested party appeared or otherwise objected to the proposed unit agreement.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(5) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Stingray State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to base of the Siluro-Devonian formation underlying the following-described 1,913.22 acres, more or less, of State of New Mexico and fee lands situated in Chaves County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM**  
Section 12: E/2

**TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM**  
Section 6: Lots 6 and 7 (W/2 SW/4), E/2 SW/4, and SE/4 (S/2 equivalent)  
Section 7: Lots 1 through 4 (W/2 W/2), E/2 W/2, and E/2 (ALL)  
Section 18: Lots 1 through 4 (W/2 W/2), E/2 W/2, and E/2 (ALL)

(2) The plan contained in the Stingray State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**ORBISON STATE EXPLORATORY UNIT**  
Lea County, New Mexico

Order No. R-12214, Approving the Orbison State Exploratory Unit Agreement, Lea County, New Mexico, September 9, 2004.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13333  
Order No. R-12214

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came on for hearing on September 2, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 9th day of September, 2004, 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) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Orbison State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 1,280 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

**TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM**

Section 11: All  
Section 14: All

(3) The Applicant presented testimony by affidavit as follows.

(a) One hundred percent of the working interest is committed to the Unit.

(b) One hundred percent of the royalty interest is owned by the State of New Mexico.

(c) The State Land Office has given preliminary approval for this Unit.

(d) The initial well will be the Orbison State Unit Well No. 1 to be drilled at a standard gas well location 1,750 feet from the North line and 915 feet from the East line of Section 14, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico. Division records indicate there have been no producing wells from the Atoka or Morrow formation within the boundaries of this proposed Unit.

(e) The primary targets for this initial well will be the Atoka and Morrow formations, but at least one well will be drilled to a depth sufficient to test the limestone of the Mississippian formation.

(f) Yates is attempting to locate the high risk, Atoka and Morrow channel sands using 3-D seismic, log correlation, and regional mapping.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Orbison State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 1,280 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

**TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM**  
Section 11: All  
Section 14: All

(2) The plan contained in the Orbison State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

**BOFFIN STATE EXPLORATORY UNIT**  
Chaves County, New Mexico

Order No. R-12213, Approving the Boffin State Exploratory Unit Agreement, Chaves County, New Mexico, September 9, 2004.

Application of Yates Petroleum Corporation for a Unit Agreement, Chaves County, New Mexico.

Case No. 13332  
Order No. R-12213

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing on September 2, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 9th day of September, 2004, 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) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Boffin State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Siluro-Devonian formation underlying the following-described 2,920 acres, more or less, of State of New Mexico lands situated in Chaves County, New Mexico:

**TOWNSHIP 9 SOUTH, RANGE 27 EAST, NMPM**

Section 9: S/2, SW/4 NW/4  
Section 10: S/2  
Section 15: All  
Section 16: All  
Section 21: E/2  
Section 22: All

(3) The Applicant presented testimony by affidavit as follows.

(a) One hundred percent of the working interest is committed to the Unit.

(b) One hundred percent of the royalty interest is owned by the State of New Mexico.

(c) The State Land Office has given preliminary approval for this Unit.

(d) The initial well will be the Boffin State Unit Well No. 1 to be drilled at a standard gas well location 1,500 feet from the South line and 1,500 feet from the East line of Section 16, Township 9 South, Range 27 East, NMPM, Chaves County, New Mexico. Division records indicate there have been no producing wells from the Siluro-Devonian formation within the boundaries of this proposed Unit.

(e) The primary target for this initial well will be the Siluro-Devonian formation with additional possibly productive formations up-hole.

(f) Within the Siluro-Devonian, Yates is attempting to use seismic and well control to locate a productive dolomite reservoir on a closed structural high.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Boffin State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Siluro-Devonian formation underlying the following-described 2,920 acres, more or less, of State of New Mexico lands situated in Chaves County, New Mexico:

**TOWNSHIP 9 SOUTH, RANGE 27 EAST, NMPM**

Section 9: S/2, SW/4 NW/4  
Section 10: S/2  
Section 15: All  
Section 16: All  
Section 21: E/2  
Section 22: All

(2) The plan contained in the Boffin State Exploratory 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.

(3) The Unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

**ELVIS STATE EXPLORATORY UNIT**  
Lea County, New Mexico

Order No. R-12212, Approving the Elvis State Exploratory Unit Agreement, Lea County, New Mexico, September 9, 2004.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13331  
Order No. R-12212

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing on September 2, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 9th day of September, 2004, 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) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Elvis State Exploratory Unit Agreement for all oil and gas in all, formations from the surface to the base of the Mississippian formation underlying the following-described 1,280 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM**

Section 22: All  
Section 27: All

(3) The Applicant presented testimony by affidavit as follows.

(a) One hundred percent of the working interest is committed to the Unit.

(b) One hundred percent of the royalty interest is owned by the State of New Mexico.

(c) The State Land Office has given preliminary approval for this Unit.

(d) The initial well will be the Elvis State Unit Well No. 1 to be drilled at a standard gas well location 990 feet from the South line and 1,760 feet from the West line of Section 22, Township 10 South, Range 34 East, NMPM, Lea County, New Mexico. Division records indicate this will be the first well ever drilled inside the boundaries of the proposed Unit.

(e) The primary targets for this initial well will be the Atoka and Morrow formations, but the well will be drilled to a total depth into the limestone of the Mississippian formation.

(f) Yates is attempting to locate the high risk, Atoka and Morrow channel sands using 3-D seismic, log correlation, and regional mapping.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Elvis State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 1,280 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM**

Section 22: All  
Section 27: All

(2) The plan contained in the Elvis State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

**BOOTS STATE EXPLORATORY UNIT**  
Lea County, New Mexico

Order No. R-12254, Approving the Boots State Exploratory Unit Agreement, Lea County, New Mexico, January 3, 2005.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13383  
Order No. R-12254

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came for hearing on December 16, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 3rd day of January, 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 Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Boots State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 4,619.46 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

**TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM**

Section 3: All (short section)

Section 4: All (short section)

Section 8: All

Section 9: All

Section 10: All

Section 15: All

Section 16: All

Section 17: All

(3) The Applicant presented testimony by affidavit as follows.

(a) All interests within the Unit area are committed to the Unit.

(b) One hundred percent of royalty interest is owned by the State of New Mexico.

(c) The State Land office has given preliminary approval for this Unit.

(d) The initial well will be drilled at a standard gas well location 1,830 feet from the North line and 660 feet from the West line of Section 9, Township 11 South, Range 35 East, NMPM, Lea County, New Mexico, and to an approximate depth of 12,660 feet.

(e) Division records indicate there were three wells drilled within this proposed Unit and only one of those wells penetrated the Atoka interval. Division records show no production ever recorded within this proposed Unit.

(f) The primary target for this initial well will be the Atoka sands, but all formations will be evaluated down through the Mississippian.

(g) Yates is attempting to locate high risk, Atoka and Morrow channel sands using 3-D seismic, log correlation, and regional mapping.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Boots State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 4,619.46 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

**TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM**

Section 3: All (short section)

Section 4: All (short section)

Section 8: All

Section 9: All

Section 10: All

Section 15: All

Section 16: All

Section 17: All

(2) The plan contained in the Boots State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

**AZURE STATE EXPLORATORY UNIT**  
Lea County, New Mexico

Order No. R-12243, Approving the Azure State Exploratory Unit Agreement, Lea County, New Mexico, December 16, 2004.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13388  
Order No. R-12243

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing on December 2, 2004 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 16th day of December, 2004, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Azure State Exploratory Unit Agreement for all oil and gas in all formations underlying the following described 2,220.03 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM  
Sections 17 and 18: All  
Section 19: Lots 3 and 4, E/2 SW/4, and SE/4 (S/2 equivalent)  
Section 20: All.

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Azure State Exploratory Unit Agreement, executed by Yates Petroleum Corporation, is hereby approved for all oil and gas in all formations underlying the following-described 2,220.03 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM  
Sections 17 and 18: All  
Section 19: Lots 3 and 4, E/2 SW/4, and SE/4 (S/2 equivalent)  
Section 20: All.

(2) The plan contained within the Azure State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**LEANIN L FEDERAL EXPLORATORY UNIT**  
Chaves County, New Mexico

Order No. R-12289, Approving the Leanin L Federal Exploratory Unit Agreement, Chaves County, New Mexico, February 24, 2005.

Application of Yates Petroleum Corporation for a Unit Agreement, Chaves County, New Mexico.

Case No. 13397  
Order No. R-12289

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing on February 3, 2005 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 24th day of February, 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) The applicant, Yates Petroleum Corporation, seeks approval of its Leanin L Federal Exploratory Unit Agreement for all oil and gas in all formations from the top of the Queen formation to the base of the (Mississippian) Chester Lime formation underlying the following-described 2,560 acres, more or less, of federal lands situated in Chaves County, New Mexico:

**TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM**

Section 8: All  
Section 9: All  
Section 10: All  
Section 17: All

(3) The case was originally advertised such that an 80-acre tract of Section 3 was to be included in the proposed unit. This tract was not approved to be included in the proposed unit by the United States Bureau of Land Management and the applicant has withdrawn its application as to that 80-acre tract.

(4) Additional proof of notice and an additional letter of clarification from the United States Bureau of Land Management were provided to the Division subsequent to the hearing:

(5) The Applicant presented testimony by affidavit as follows.

(a) The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

(b) One hundred percent of the royalty interest is owned by the United States of America.

(c) The Bureau of Land Management has given preliminary approval for this Unit.

(d) The initial well will be drilled to an approximate depth of 10,300 feet at a standard gas well location 660 feet from the South line and 660 feet from the East line of Section 8, Township 15 South, Range 29 East, NMPM, Chaves County, New Mexico.

(e) The primary target for this initial well will be the Strawn, but all formations will be evaluated down through the upper Mississippian.

(f) Yates is attempting to locate high-risk channel sands using existing well information and regional mapping.

(6) No other party appeared at the hearing or otherwise opposed this application.

(7) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(8) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Leanin L Federal Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the top of the Queen formation to the base of the (Mississippian) Chester Lime formation underlying the following-described 2,560 acres, more or less, of federal lands situated in Chaves County, New Mexico:

**TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM**

Section 8: All  
Section 9: All  
Section 10: All  
Section 17: All.

(2) The plan contained in the Leanin L Federal Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the United States Bureau of Land Management. 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.

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

**BRICK STATE EXPLORATORY UNIT**  
Chaves County, New Mexico

Order No. R-12292, Approving the Brick State Exploratory Unit Agreement, Chaves County, New Mexico, February 25, 2005.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Chaves County, New Mexico.

Case No. 13414  
Order No. R-12292

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on February 17, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of February, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Brick State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following-described 2,520 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM  
Sections 8: W/2, W/2 E/2, E/2 SE/4, SE/4 NE/4  
Sections 9: All  
Section 10: All  
Section 16: All

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

(4) 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 Yates Petroleum Corporation, the Brick State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 2,520 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM  
Sections 8: W/2, W/2 E/2, E/2 SE/4, SE/4 NE/4  
Sections 9: All  
Section 10: All  
Section 16: All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**PATSY STATE EXPLORATORY UNIT**  
Chaves County, New Mexico

Order No. R-12293, Approving the Patsy State Exploratory Unit Agreement, Chaves County, New Mexico, February 25, 2005.

Application of Yates Petroleum Corporation for  
Approval of a Unit Agreement, Chaves County,  
New Mexico.

Case No. 13415  
Order No. R-12293

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on February 17, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of February, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Patsy State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following-described 3,200.2 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 31 EAST, NMPM  
Sections 35: E/2

TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM  
Sections 2: All  
Sections 10 and 11: All  
Section 14: N/2  
Section 15: All

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

(4) 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 Yates Petroleum Corporation, the Patsy State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 3,200.2 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 31 EAST, NMPM  
Section 35: E/2

TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM  
Sections 2: All  
Sections 10 and 11: All  
Section 14: N/2  
Section 15: All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

CHESNEY STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12318, Approving the Chesney State Exploratory Unit Agreement, Lea County, New Mexico, March 25, 2005.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13434  
Order No. R-12318

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on March 3, 2005, at Santa Fe, New Mexico, before Examiner Richard Ezeanyim.

NOW, on this 25th day of March, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Chesney State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 5899 acres, more or less, of State of New Mexico and Fee lands situated in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM

Section 1: All  
Section 2: All  
Section 11: All  
Section 12: All  
Section 13: All  
Section 14: All  
Section 23: All  
Section 24: All  
Section 26: All  
Section 27: All

(3) The Applicant presented testimony that demonstrates that:

(a) Sections 1 and 2 are irregular sections comprising 800 acres, more or less;

(b) Ninety-nine (99%) percent of the interests owners within the Unit area are committed to the Unit;

(c) Ninety-seven (97%) percent of the royalty interest is owned by the State of New Mexico, and three (3%) percent of the royalty interest is Fee lands;

(d) There are no overriding royalty interests in the Unit Area;

(e) The Commissioner of Public Lands has given preliminary approval for the proposed Unit;

(f) The initial well will be drilled at a standard gas well location 1650 feet from the North line and 990 feet from the West line of Section 26, Township 11 South, Range 35 East, NMPM, Lea County, New Mexico, and to an approximate depth of 13,100 feet;

(g) The primary target for this initial well will be the Middle Atoka formation, but all formations will be evaluated down to the base of the Mississippian formation; and

(h) Yates has conducted economic analysis of the unit area and found very few economic wells, therefore this area can best be developed and produced under a unit agreement.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Chesney State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 5899 acres, more or less, of State of New Mexico and Fee lands situated in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM

Section 1: All  
Section 2: All  
Section 11: All  
Section 12: All  
Section 13: All  
Section 14: All  
Section 23: All  
Section 24: All  
Section 26: All  
Section 27: All

(2) The plan contained in the Chesney State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

**CHICKEN LITTLE STATE EXPLORATORY UNIT**  
Chaves and Lea Counties, New Mexico

Order No. R-12337, Approving the Chicken Little State Exploratory Unit Agreement, Chaves and Lea Counties, New Mexico, April 22, 2005.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Chaves and Lea Counties, New Mexico.

Case No. 13476  
Order No. R-12337

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on April 21, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 22nd day of April, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Chicken Little State Exploratory Unit Agreement for all oil and gas in any and all formations from the surface to the base of the Mississippian formation underlying the following-described 3,323.16 acres, more or less, of States and fee lands in Chaves and Lea Counties, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 31 EAST, NMPM,  
CHAVES COUNTY, NEW MEXICO**

Section 24: All  
Section 25: All  
Section 35: NE/4, S/2 NW/4, S/2  
Section 36: All

**TOWNSHIP 11 SOUTH, RANGE 32 EAST, NMPM,  
LEA COUNTY, NEW MEXICO**

Irregular Section 4: Lots 3, 4, S/2 SW/4  
Irregular Section 5: Lots 1, 2, 3 and 4, S/2 S/2 (All)  
Irregular Section 6: Lots 1, 2, 3, 4, and 5, SE/4 SW/4, S/2 SE/4 (All)

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

(4) 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 Yates Petroleum Corporation, the Chicken Little State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations from the surface to the base of the Mississippian formation underlying the following-described 3,323.16 acres, more or less, of State and fee lands in Chaves and Lea Counties, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 31 EAST, NMPM,  
CHAVES COUNTY, NEW MEXICO**

Section 24: All  
Section 25: All  
Section 35: NE/4, S/2 NW/4, S/2  
Section 36: All

**TOWNSHIP 11 SOUTH, RANGE 32 EAST, NMPM,  
LEA COUNTY, NEW MEXICO**

Irregular Section 4: Lots 3, 4, S/2 SW/4  
Irregular Section 5: Lots 1, 2, 3 and 4, S/2 S/2 (All)  
Irregular Section 6: Lots 1, 2, 3, 4, and 5, SE/4 SW/4, S/2 SE/4 (All)

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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 entry of such further orders as the Division may deem necessary.

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

COHIBA STATE EXPLORATORY UNIT  
Eddy County, New Mexico

Order No. R-12316, Approving the Cohiba State Exploratory Unit Agreement, Eddy County, New Mexico, March 22, 2005.

Application of Yates Petroleum Corporation for a Unit Agreement, Eddy County, New Mexico.

Case No. 13444  
Order No. R-12316

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on March 17, 2005 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 22nd day of March, 2005, the Division Director, having considered 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) The applicant, Yates Petroleum Corporation, seeks approval of its Cohiba State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Bone Spring formation at an approximate depth of 8,500 feet underlying the following-described 879.20 acres, more or less, of state lands in Eddy County, New Mexico:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM  
Section 1: Lots 1, 2, 3, and 4, S/2 N/2, SW/4, and W/2 SE/4  
Section 12: W/2.

(3) No interested party appeared or otherwise objected to the proposed unit agreement.

(4) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Cohiba State Exploratory Unit Agreement, executed by Yates Petroleum Corporation, is hereby approved for all oil and gas in all formations from the surface to the base of the Bone Spring formation at an approximate depth of 8,500 feet underlying the following-described 879.20 acres, more or less, of state lands in Eddy County, New Mexico:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM  
Section 1: Lots 1, 2, 3, and 4, S/2 N/2, SW/4, and W/2 SE/4  
Section 12: W/2.

(2) The plan contained within the Cohiba State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**FARON STATE EXPLORATORY UNIT**  
Lea County, New Mexico

Order No. R-12301, Approving the Faron State Exploratory Unit Agreement, Lea County, New Mexico, March 14, 2005.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13404  
Order No. R-12301

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came for hearing on February 3 and on March 3, 2005, at Santa Fe, New Mexico, before Examiners William V. Jones and Richard Ezeanyim.

NOW, on this 14th day of March, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

**FINDS THAT:**

(1) Due public notice has been given, and the Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant") seeks approval of its Faron State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 6,400 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

**TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM**  
Section 32: All

**TOWNSHIP 9 SOUTH, RANGE 32 EAST, NMPM**  
Section 3: All  
Section 4: All  
Section 5: All  
Section 6: All  
Section 8: All  
Section 9: All  
Section 10: All  
Section 16: All  
Section 17: All

(3) The Applicant presented testimony by affidavit as follows.

(a) All interests within the Unit area are committed to the Unit.

(b) One hundred percent of the royalty interest is owned by the State of New Mexico.

(c) The State Land Office has given preliminary approval for this Unit.

(d) The initial well will be drilled at a standard gas well location 660 feet from the North line and 1,980 feet from the East line of Section 5, Township 9 South, Range 32 East, NMPM, Lea County, New Mexico, and to an approximate depth of 11,220 feet.

(e) There have been seven deep Atoka penetrations in the proposed unit and none of these wells had any production.

(f) The primary target for this initial well will be the Atoka Sands, but all formations will be evaluated down to the Mississippian.

(g) Yates is attempting to locate high-risk channel sands using existing well information and regional mapping.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Faron State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 6,400 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

**TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM**  
Section 32: All

**TOWNSHIP 9 SOUTH, RANGE 32 EAST, NMPM**  
Section 3: All  
Section 4: All  
Section 5: All  
Section 6: All  
Section 8: All  
Section 9: All  
Section 10: All  
Section 16: All  
Section 17: All

(2) The plan contained in the Faron State Exploratory 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 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 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

FENDER STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12304, Approving the Fender State Exploratory Unit Agreement, Lea County, New Mexico, March 14, 2005.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13403  
Order No. R-12304

ORDER OF THE DIVISION

BY THE DIVISION: This case came for hearing on February 3, 2005, and on March 3, 2005, at Santa Fe, New Mexico, before Examiners William V. Jones and Richard Ezeanyim.

NOW, on this 14th day of March, 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 Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Fender State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 5,442.24 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM

Section 3: All  
Section 4: All  
Section 5: All  
Section 8: All  
Section 9: All  
Section 10: W/2, NE/4, N/2 SE/4  
Section 15: W/2, W/2 SE/4  
Section 16: All  
Section 17: All

(3) The Applicant presented testimony by affidavit as follows.

(a) All interests within the Unit area are committed to the Unit.

(b) One hundred percent of the royalty interest is owned by the State of New Mexico.

(c) The State Land Office has given preliminary approval for this Unit.

(d) The initial well will be the re-entry of the Sohio State Well No. 1 at a standard gas well location 1,980 feet from the South line and 1980 feet from the West line of Section 9, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico, and to an approximate depth of 11,700 feet.

(e) There have been four deep Atoka penetrations in the proposed unit and none of these wells had any production. The extreme eastern edge of the unit has had production from the San Andres and Upper Pennsylvanian.

(f) The primary target for this initial well will be the Atoka Sands, but all formations will be evaluated down through the Mississippian.

(g) Yates is attempting to locate high-risk channel sands using existing well information and regional mapping.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Fender State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 5,442.24 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM

Section 3: All  
Section 4: All  
Section 5: All  
Section 8: All  
Section 9: All  
Section 10: W/2, NE/4, N/2 SE/4  
Section 15: W/2, W/2 SE/4  
Section 16: All  
Section 17: All

(2) The plan contained in the Fender State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

**JOLENE STATE EXPLORATORY UNIT**  
Lea County, New Mexico

Order No. R-12358, Approving the Jolene State Exploratory Unit Agreement, Lea County, New Mexico, May 24, 2005.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13490  
Order No. R-12358

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came for hearing on May 19, 2005, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 24th day of May, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

**FINDS THAT:**

(1) Due public notice has been given, and the Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Jolene State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 5,120 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

**TOWNSHIP 14 SOUTH, RANGE 35 EAST, NMPM**

Section 2: All  
Section 3: All  
Section 4: E/2, SW/4  
Section 5: SE/4, E/2 SW/4  
Section 8: N/2, SE/4, E/2 SW/4  
Section 9: All  
Section 10: N/2, SW/4  
Section 11: NW/4  
Section 16: All  
Section 17: All

(3) The Applicant presented testimony by affidavit as follows.

(a) At least 83 percent of all interests within the Unit area are committed to the Unit.

(b) One hundred percent of the royalty interest is owned by the State of New Mexico.

(c) The State Land Office has given preliminary approval for this Unit.

(d) The initial well will be drilled at a standard gas well location 1,980 feet from the North line and 1,980 feet from the East line of Section 8, Township 14 South, Range 35 East, NMPM, Lea County, New Mexico, and to an approximate depth of 13,700 feet.

(e) There has been no Atoka or Morrow production within the proposed unit boundaries.

(f) The primary targets for this initial well will be the Atoka and the Morrow, but all formations will be evaluated down to the Mississippian.

(g) Yates is attempting to locate high-risk channel sands using existing well information and regional mapping.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Jolene State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 5,120 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

**TOWNSHIP 14 SOUTH, RANGE 35 EAST, NMPM**

Section 2: All  
Section 3: All  
Section 4: E/2, SW/4  
Section 5: SE/4, E/2 SW/4  
Section 8: N/2, SE/4, E/2 SW/4  
Section 9: All  
Section 10: N/2, SW/4  
Section 11: NW/4  
Section 16: All  
Section 17: All

(2) The plan contained in the Jolene State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

**CUSTER MOUNTAIN NORTH FEDERAL STATE UNIT**  
Lea County, New Mexico

Order No. R-12374, Approving the Custer Mountain North Federal State Unit Agreement, Lea County, New Mexico, June 24, 2005.

Application of Devon Energy Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13501  
Order No. R-12374

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing on June 2, 2005, at Santa Fe, New Mexico, before Examiner Richard Ezeanyim.

NOW, on this 24th day of June, 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) The applicant, Devon Energy Corporation ("Devon" or "Applicant"), seeks approval of its Custer Mountain North Federal State Unit Agreement for all oil and gas in all formations from the surface to the base of the Pennsylvanian formation underlying the following-described 2,881.28 acres, more or less, of State of New Mexico and Federal lands situated in Lea County, New Mexico:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM  
Section 33: S/2

TOWNSHIP 23 SOUTH, RANGE 35 EAST, NMPM  
Section 4: All  
Section 9: All  
Section 16: All  
Section 21: All

(3) The Applicant presented testimony by affidavit that demonstrates that:

(a) One hundred (100%) percent of the interests owners within the Unit area are committed to the Unit;

(b) Devon Energy Production Company, L.P. has more than seventy-three (73%) of the working interest ownership in the oil and gas minerals underlying the proposed unit area and requested to be designated the unit operator;

(c) The unit covers an area that can be reasonably developed under a unit plan;

(d) The primary target for this unit area is the Atoka formation, but all formations will be evaluated down to the base of the Pennsylvanian formation, and if the initial well is successful, additional wells will be drilled in the unit area;

(e) The Commissioner of Public Lands and the Bureau of Land Management have given preliminary approval for the proposed Unit;

(f) The initial well (Keller "4" Well No. 1) will be drilled at a standard gas well location 1980 feet from the South line and 1475 feet from the

West line of Section 4, Township 23 South, Range 35 East, NMPM, Lea County, New Mexico, to an approximate depth of 14,200 feet or a depth sufficient to test the Morrow formation; and

(g) The W/2 of Section 4 being a standard 320-acre gas spacing and proration unit will be dedicated to this well.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These 2,881.28 acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Custer Mountain North Federal State Unit Agreement executed by Devon Energy Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Pennsylvanian formation underlying the following-described 2,881.28 acres, more or less, of State of New Mexico and Federal lands situated in Lea County, New Mexico:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM  
Section 33: S/2

TOWNSHIP 23 SOUTH, RANGE 35 EAST, NMPM  
Section 4: All  
Section 9: All  
Section 16: All  
Section 21: All

(2) The plan contained in the Custer Mountain North Federal State 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office and the Bureau of Land Management. 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.

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

**SOUTH CHAVLEA STATE EXPLORATORY UNIT**  
Lea and Chaves Counties, New Mexico

Order No. R-12401, Approving the South Chavlea State Exploratory Unit Agreement, Lea and Chaves Counties, New Mexico, July 28, 2005.

Application of Chesapeake Operating, Inc. for Approval of a Unit Agreement, Lea and Chaves Counties, New Mexico.

Case No. 13526  
Order No. R-12401

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on July 28, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of July, 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) The applicant, Chesapeake Operating, Inc. ("Chesapeake"), seeks approval of the South Chavlea State Exploratory Unit Agreement for all oil and gas in any and all formations from the surface to the base of the Pennsylvanian formation underlying the following-described 2,249.40 acres, more or less, of State lands in Lea and Chaves Counties, New Mexico:

**TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM,  
CHAVES COUNTY, NEW MEXICO**

Section 24: All  
Section 25: N/2

**TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM,  
LEA COUNTY, NEW MEXICO**

Section 19: All  
Section 30: All

(3) The applicant presented evidence that demonstrates that:

(a) Chesapeake has obtained the approval of more than 75% of the working interest owners of the leases within the proposed unit thereby affording the opportunity for effective and efficient control over the unit acreage;

(b) the unit area encompasses an area that can be reasonably developed under a unit plan;

(c) the primary target for this unit area is the Atoka/Morrow interval; however, all formations down to the base of the Pennsylvanian formation will be evaluated and, if the initial well is successful, additional wells will be drilled within the unit area;

(d) the Commissioner of Public Lands for the State of New Mexico has given preliminary approval for the proposed unit by letter dated July 13, 2005;

(e) the initial well to be drilled within the unit area, the Chavlea "19" State Well No. 1 (API No. 30-025-37130) will be drilled at a standard gas well location 660 feet from the South and West lines (Unit M) of Section 19, Township 12 South, Range 32 East, NMPM, to an approximate total depth of 11,300 feet or to a depth sufficient to test the Morrow formation; and

(f) the W/2 of Section 19 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit.

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

(5) 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 Chesapeake Operating, Inc., the South Chaves State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations from the surface to the base of the Pennsylvanian formation underlying the following-described 2,249.40 acres, more or less, of State lands in Lea and Chaves Counties, New Mexico:

**TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM,  
CHAVES COUNTY, NEW MEXICO**

Section 24: All  
Section 25: N/2

**TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM,  
LEA COUNTY, NEW MEXICO**

Section 19: All  
Section 30: All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

MESCALERO SPRINGS STATE EXPLORATORY UNIT  
Chaves County, New Mexico

Order No. R-12382, Approving the Mescalero Springs State Exploratory Unit Agreement, Chaves County, New Mexico, June 30, 2005.

Application of Cheney Energy Partners, LLC for a Unit Agreement, Chaves County, New Mexico.

Case No. 13515  
Order No. R-12382

ORDER OF THE DIVISION

BY THE DIVISION: This case came for hearing on June 30, 2005, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 7th day of July, 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 Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Cheney Energy Partners, LLC ("Cheney" or "Applicant"), seeks approval of its Mescalero Springs State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Morrow formation underlying the following-described 1,280 acres, more or less, of State of New Mexico lands situated in Chaves County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 31 EAST, NMPM  
Section 23: All  
Section 24: All

(3) The Applicant presented testimony by affidavit as follows.

(a) Cheney owns 78 percent of the working interest in the proposed Unit. Eighty acres within the Unit is unleased Fee land. Proposal letters were sent to all of the unleased Fee owners.

(b) One hundred percent of the royalty interest is owned by the State of New Mexico.

(c) The State Land Office has given preliminary approval for this Unit.

(d) The initial well will be drilled at a standard gas well location 1,980 feet from the South line and 660 feet from the West line of Section 23, Township 11 South, Range 31 East, NMPM, Chaves County, New Mexico, and to an approximate depth of 12,000 feet.

(e) The primary target for this initial well is the Morrow, but the Atoka and San Andres formations are also targets.

(f) Cheney is attempting to locate the Morrow formation as it exists in incised valley depositional systems.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Mescalero Springs State Exploratory Unit Agreement executed by Cheney Energy Partners, LLC is hereby approved for all oil and gas in all formations from the surface to the base of the Morrow formation underlying the following-described 1,280 acres, more or less, of State of New Mexico lands situated in Chaves County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 31 EAST, NMPM  
Section 23: All  
Section 24: All

(2) The plan contained in the Mescalero Springs State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

WYNONA STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12381, Approving the Wynona State Exploratory Unit Agreement, Lea County, New Mexico, July 7, 2005.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13514  
Order No. R-12381

ORDER OF THE DIVISION

BY THE DIVISION: This case came for hearing on June 30, 2005, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 7th day of July, 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 Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Wynona State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 2,633.64 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM

Section 19: N/2

Section 20: N/2, SE/4

Section 21: All

Section 22: All

Section 28: N/2, N/2 S/2, S/2 SE/4

(3) The Applicant presented testimony by affidavit as follows.

(a) At least 75 percent of all interests within the Unit area are committed to the Unit.

(b) One hundred percent of the royalty interest is owned by the State of New Mexico.

(c) The State Land Office has given preliminary approval for this Unit.

(d) The initial well will be drilled at a standard gas well location 900 feet from the North line and 660 feet from the East line of Section 20, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico, and to an approximate depth of 12,450 feet.

(e) There has been no Atoka or Morrow production within the proposed unit boundaries.

(f) The primary targets for this initial well will be the Atoka and the Morrow, with other possible targets in the upper Mississippian (Austin) and the upper Pennsylvanian.

(g) Yates is attempting to locate high-risk channel sands using 3-D seismic, existing well information, and regional mapping.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Wynona State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 2,633.64 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM

Section 19: N/2

Section 20: N/2, SE/4

Section 21: All

Section 22: All

Section 28: N/2, N/2 S/2, S/2 SE/4

(2) The plan contained in the Wynona State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

**IKE STATE EXPLORATORY UNIT  
Lea County, New Mexico**

Order No. R-12408, Approving the Ike State Exploratory Unit Agreement, Lea County, New Mexico, August 25, 2005.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13535  
Order No. R-12408

**ORDER OF THE DIVISION**

**BY THE DIVISION:** *This case came for hearing on August 11, 2005, at Santa Fe, New Mexico, before Examiner William V. Jones.*

NOW, on this 25th day of August, 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 Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Ike State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 3,016.04 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM  
Section 25: NE/4, S/2  
Section 36: All

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM  
Section 29: S/2  
Section 30: All  
Section 31: Lots 1, 2, 3, 4, E/2 W/2  
Section 32: All

(3) The Applicant presented testimony by affidavit as follows.

(a) One hundred percent of all interests within the Unit area are committed to the Unit.

(b) One hundred percent of the royalty interest is owned by the State of New Mexico.

(c) The State Land Office has given preliminary approval for this Unit.

(d) The initial well will be drilled at a standard gas well location 1,650 feet from the North line and 900 feet from the West line of Section 30, Township 12 South, Range 35 East, NMPM, Lea County, New Mexico, and to an approximate depth of 12,800 feet.

(e) There has been no Atoka or Morrow production within the proposed unit boundaries.

(f) The primary targets for this initial well will be the Atoka and the Morrow, with other possible targets in the upper Mississippian (Austin) and the upper Pennsylvanian.

(g) Yates is attempting to locate high-risk channel sands.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Ike State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following described 3,016.04 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM  
Section 25: NE/4, S/2  
Section 36: All

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM  
Section 29: S/2  
Section 30: All  
Section 31: Lots 1, 2, 3, 4, E/2 W/2  
Section 32: All

(2) The plan contained in the Ike State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

STADIUM STATE EXPLORATORY UNIT  
Chaves County, New Mexico

Order No. R-12399, Approving the Stadium State Exploratory Unit Agreement, Chaves County, New Mexico, August 9, 2005.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Chaves County, New Mexico.

Case No. 13529  
Order No. R-12399

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on July 28, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 9th day of August, 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) The applicant, Yates Petroleum Corporation ("Yates") seeks approval of the Stadium State Exploratory Unit Agreement for all oil and gas in any and all formations from the surface to the top of the Pre-Cambrian formation underlying the following-described 960 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 26 EAST, NMMPM

Section 15: W/2  
Section 16: All

(3) The applicant presented evidence in this case through legal counsel.

(4) The applicant's evidence demonstrates that:

(a) the proposed unit area is comprised of three separate state leases (State Leases No. VA-2223, VA-2224 and VA-2230). Yates is the lessee of all three state leases;

(b) the unit area encompasses an area that can be reasonably developed under a unit plan;

(c) the primary target for the unit area is the Siluro-Devonian formation;

(d) the initial well will be drilled at a standard gas well location 1980 feet from the North and West lines (Unit F) of Section 16, Township 12

South, Range 26 East, NMMPM, and will be drilled to an approximate total depth of 6,175 feet; and

(e) the Commissioner of Public Lands for the State of New Mexico has given preliminary approval for the proposed unit by letter dated June 29, 2005.

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

(6) 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 Yates Petroleum Corporation, the Stadium State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations from the surface to the top of the Pre-Cambrian formation underlying the following-described 960 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 26 EAST, NMMPM  
Section 15: W/2  
Section 16: All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**WILLS STATE EXPLORATORY UNIT**  
Lea County, New Mexico

Order No. R-12426, Approving the Wills State Exploratory Unit Agreement, Lea County, New Mexico, September 26, 2005.

Application of Yates Petroleum Corporation for  
Approval of a Unit Agreement, Lea County, New  
Mexico.

Case No. 13536  
Order No. R-12426

**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 26th day of September, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Wills State Exploratory Unit Agreement for all oil and gas in any and all formations from the surface to the base of the Mississippian formation underlying the following-described 9,880.53 acres, more or less, of State lands in Lea County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM,**

Section 11:	All
Sections 14 through 17:	All
Section 19:	S/2
Sections 20 through 23:	All
Sections 26 through 29:	All
Section 30:	E/2
Section 34:	N/2
Section 35:	All

(3) The applicant appeared at the hearing through legal counsel. Evidence was presented at the hearing to support the application.

(4) At the hearing, legal counsel for the applicant stated that the proposed exploratory unit has been renamed the Van Dyke State Exploratory Unit.

(5) The evidence presented to support this application further demonstrates that:

(a) the primary objective within the Van Dyke State Exploratory Unit is the Atoka-Morrow interval;

(b) the initial well will be drilled at a standard gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 17; and

(c) approximately 92% of the working interest in the Van Dyke State Exploratory Unit is committed to the unit at this time.

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

(4) 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 Yates Petroleum Corporation, the Van Dyke State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations from the surface to the base of the Mississippian formation underlying the following-described 9,880.53 acres, more or less, of State lands in Lea County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM,**

Section 11:	All
Sections 14 through 17:	All
Section 19:	S/2
Sections 20 through 23:	All
Sections 26 through 29:	All
Section 30:	E/2
Section 34:	N/2
Section 35:	All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**LACROSSE STATE EXPLORATORY UNIT**  
Chaves County, New Mexico

Order No. R-12429, Approving the Lacrosse State Exploratory Unit Agreement, Chaves County, New Mexico, September 26, 2005.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Chaves County, New Mexico.

Case No. 13550  
Order No. R-12429

**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 26th day of September, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Lacrosse State Exploratory Unit Agreement for all oil and gas in any and all formations from the surface to the top of the Pre-Cambrian formation underlying the following-described 3,840 acres, more or less, of State and fee lands in Chaves County, New Mexico:

**TOWNSHIP 11 SOUTH, RANGE 27 EAST, NMPM,**

Section 22:	All
Sections 27 and 28:	All
Sections 32 through 34:	All

(3) The applicant appeared at the hearing through legal counsel. Evidence was presented at the hearing to support the application.

(4) At the hearing, legal counsel for the applicant stated that the publication notice and the docket advertisement for this case incorrectly described the proposed unit as containing 3,800 acres. The Division determined that re-advertisement of this case is not necessary because 100% of the working interest is voluntarily committed to the unit and therefore, there are no affected parties.

(5) The evidence presented to support this application further demonstrates that:

(a) the primary objective within the Lacrosse State Exploratory Unit is the Siluro-Devonian interval; and

(b) the initial well will be drilled at a standard gas well location 660 feet from the North and West lines (Unit D) of Section 32, Township 11 South, Range 27 East.

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

(7) 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 Yates Petroleum Corporation, the Lacrosse State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations from the surface to the top of the Pre-Cambrian formation underlying the following-described 3,840 acres, more or less, of State and fee lands in Chaves County, New Mexico:

**TOWNSHIP 11 SOUTH, RANGE 27 EAST, NMPM,**

Section 22:	All
Sections 27 and 28:	All
Sections 32 through 34:	All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**MORTAR STATE EXPLORATORY UNIT  
Chaves County, New Mexico**

Order No. R-12434, Approving the Mortar State Exploratory Unit Agreement, Chaves County, New Mexico, September 27, 2005.

Application of Yates Petroleum Corporation for a Unit Agreement, Chaves County, New Mexico.

Case No. 13559  
Order No. R-12434

**ORDER OF THE DIVISION**

**BY THE DIVISION:** This case came for hearing on September 22, 2005, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 27th day of September, 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 Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Mortar State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the top of the PreCambrian formation underlying the following-described 1,600 acres, more or less, of State of New Mexico lands situated in Chaves County, New Mexico:

**TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM**

Section 23: S/2  
Section 25: All  
Section 26: All

(3) The Applicant presented testimony by affidavit as follows.

(a) One hundred percent of all interests within the Unit area are committed to the Unit.

(b) One hundred percent of the royalty interest is owned by the State of New Mexico.

(c) The State Land Office has, given preliminary approval for this Unit.

(d) The initial well will be called the Mortar State Unit Well No. 1, and will be drilled at a standard gas well location 1,980 feet from the North line and 1,980 feet from the West line of Section 25, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico, and to an approximate depth of 6,670 feet.

(e) There has been no Strawn production within the proposed unit boundaries.

(f) The primary target for this initial well will be the Strawn, with numerous other possible targets.

(g) Yates is attempting to locate high-risk channel sands.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Mortar State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the top of the PreCambrian formation underlying the following-described 1,600 acres, more or less, of State of New Mexico lands situated in Chaves County, New Mexico:

**TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM**

Section 23: S/2  
Section 25: All  
Section 26: All

(2) The plan contained in the Mortar State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

EAST DENTON (WOLFCAMP) UNIT  
Lea County, New Mexico

Order No. R-12431, Approving the East Denton (Wolfcamp) Unit Agreement, Lea County, New Mexico, October 4, 2005.

Application of Northstar Operating Company for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 13527  
Order No. R-12431

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.

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

DEHAVILLAND STATE EXPLORATORY UNIT  
Chaves County, New Mexico

Order No. R-12457, Approving the DeHavilland State Exploratory Unit Agreement, Chaves County, New Mexico, November 22, 2005.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Chaves County, New Mexico.

Case No. 13592  
Order No. R-12457

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on November 17, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 22nd day of November, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the DeHavilland State Exploratory Unit Agreement for all oil and gas in any and all formations from the surface to the top of the Pre-Cambrian formation underlying the following-described 7,038.69 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 5 SOUTH, RANGE 26 EAST, NMPM,

Sections 6 & 7:	All
Sections 16 through 18:	All
Sections 20 & 21:	All
Sections 28 & 29:	All
Sections 32 & 33:	All

(3) The applicant appeared at the hearing through legal counsel. Evidence was presented at the hearing to support the application.

(4) The evidence presented to support this application further demonstrates that:

(a) the primary objective within the DeHavilland State Exploratory Unit is the Upper Pennsylvanian interval; and

(b) the initial well will be drilled at a standard gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 28, Township 5 South, Range 26 East.

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

(7) 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 Yates Petroleum Corporation, the DeHavilland State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations from the surface to the top of the Pre-Cambrian formation underlying the following-described 7,038.69 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 5 SOUTH, RANGE 26 EAST, NMPM,

Sections 6 & 7:	All
Sections 16 through 18:	All
Sections 20 & 21:	All
Sections 28 & 29:	All
Sections 32 & 33:	All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**MILSAP STATE EXPLORATORY UNIT AGREEMENT**  
Lea County, New Mexico

Order No. R-12469, Approving the Milsap State Exploratory Unit Agreement, Lea County, New Mexico, December 27, 2005.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 13591  
Order No. R-12469

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on November 17 and December 15, 2005, at Santa Fe, New Mexico, before Examiners David R. Catanach and William V. Jones, respectively.

NOW, on this 27th day of December, 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) The applicant, Yates Petroleum Corporation ("applicant"), seeks approval of the Milsap State Exploratory Unit Agreement for all oil and gas in any and all formations from the surface to the base of the Mississippian formation underlying the following described 2,240 acres, more or less, of State and fee lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 33 EAST, NMPM,  
Section 25: All  
Section 36: All

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM,  
Section 31: All

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM,  
Section 6: N/2

(3) The applicant appeared at the hearing through legal counsel. Evidence was presented at the hearing to support the application.

(4) The evidence presented to support this application further demonstrates that:

(a) the primary objective within the Milsap State Exploratory Unit is the Atoka-Morrow interval; and

(b) the initial well will be drilled at a standard gas well location 1980 feet from the North line and 660 feet from the East line (Unit E) of Section 36, Township 12 South, Range 33 East.

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

(6) 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 Yates Petroleum Corporation, the Milsap State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations from the surface to the base of the Mississippian formation underlying the following described 2,240 acres, more or less, of State and fee lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 33 EAST, NMPM,  
Section 25: All  
Section 36: All

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM,  
Section 31: All

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM,  
Section 6: N/2

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

PITNEY STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12477, Approving the Pitney State Exploratory Unit Agreement, Lea County, New Mexico, January 9, 2006.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 13611  
Order No. R-12477

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on January 5, 2006, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 9th day of January, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Pitney State Exploratory Unit Agreement for all oil and gas in any and all formations from the surface to the base of the Mississippian formation underlying the following-described 12,480 acres, more or less, of State and fee lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM,  
Sections 1 and 2: All  
Sections 11 through 15: All  
Sections 21 through 28: All  
Section 29: N/2  
Sections 33 through 36: All

(3) The applicant appeared at the hearing through legal counsel. Evidence was presented at the hearing to support the application.

(4) The evidence presented to support this application further demonstrates that:

(a) the primary objective within the Pitney State Exploratory Unit is the Atoka-Morrow interval; and

(b) the initial well will be drilled at a standard gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 23, Township 12 South, Range 35 East.

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

(7) 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 Yates Petroleum Corporation, the Pitney State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations from the surface to the base of the Mississippian formation underlying the following-described 12,480 acres, more or less, of State and fee lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 35 EAST, NMPM  
Sections 1 and 2: All  
Sections 11 through 15: All  
Sections 21 through 28: All  
Section 29: N/2  
Sections 33 through 36: All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

HOYT STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12504, Approving the Hoyt State Exploratory Unit Agreement, Lea County, New Mexico, February 7, 2006.

Application of Yates Petroleum Corporation for a Unit Agreement, Lea County, New Mexico.

Case No. 13638  
Order No. R-12504

ORDER OF THE DIVISION

BY THE DIVISION: This case came for hearing on February 2, 2006, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 7th day of February, 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 Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Hoyt State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 7,360 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 35 EAST, NMPM,

Section 8: All  
Section 9: W/2, SE/4  
Section 10: S/2  
Section 11: SW/4  
Section 12: SE/4  
Section 13: All  
Section 14: All  
Section 15: All  
Section 16: All  
Section 17: All  
Section 20: N/2, N/2 SE/4  
Section 21: E/2, NW/4, N/2 SW/4  
Section 22: All  
Section 23: N/2  
Section 24: N/2, N/2 S/2

(3) The Applicant presented testimony by affidavit as follows.

(a) Ninety-six percent of all interests within the Unit area are committed to the Unit.

(b) One hundred percent of the royalty interest is owned by the State of New Mexico.

(c) The State Land Office has given preliminary approval for this Unit.

(d) The initial well will be drilled at a standard gas well location 1,650 feet from the South line and 1,650 feet from the East line of Section 15, Township 10 South, Range 35 East, NMPM, Lea County, New Mexico, and to an approximate depth of 12,800 feet.

(e) There has been no Atoka production within the proposed unit boundaries.

(f) The primary target for this initial well will be the Atoka, with another possible target in the upper Mississippian (Austin).

(g) Yates is attempting to locate high-risk channel sands.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Hoyt State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 7,360 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

Section 8: All  
Section 9: W/2, SE/4  
Section 10: S/2  
Section 11: SW/4  
Section 12: SE/4  
Section 13: All  
Section 14: All  
Section 15: All  
Section 16: All  
Section 17: All  
Section 20: N/2, N/2 SE/4  
Section 21: E/2, NW/4, N/2 SW/4  
Section 22: All  
Section 23: N/2  
Section 24: N/2, N/2 S/2

(2) The plan contained in the Hoyt State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

HIGHTOWER STATE EXPLORATORY UNIT  
Lea County, New Mexico

Order No. R-12512, Approving the Hightower State Exploratory Unit Agreement, Lea County, New Mexico, February 27, 2006.

Application of Rubicon Oil & Gas, L.L.C. for Approval of a Unit Agreement, Lea County, New Mexico.

Case No. 13645  
Order No. R-12512

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on February 16, 2006, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of February, 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) The applicant, Rubicon Oil & Gas, L.L.C. ("Rubicon"), seeks approval of the Hightower State Exploratory Unit Agreement for all oil and gas in any and all formations from the surface to the base of the Devonian formation underlying the following-described 2,080 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 33 EAST, NMPM  
Section 15: All  
Section 22: All  
Section 23: NW/4  
Section 27: All

(3) The applicant presented evidence that demonstrates that:

(a) the primary objective within the Hightower State Exploratory Unit is the Wolfcamp interval; and

(b) the initial well will be drilled at a standard gas well location 660 feet from the North and East lines (Unit A) of Section 27, Township 12 South, Range 33 East.

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

(5) 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 Rubicon' Oil & Gas, L.L.C., the Hightower State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations from the surface to the base of the Devonian formation underlying the following-described 2,080 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 33 EAST, NMPM,  
Section 15: All  
Section 22: All  
Section 23: NW/4  
Section 27: All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

MANCHESTER STATE EXPLORATORY UNIT  
Eddy County, New Mexico

Order No. R-12542, Approving the Manchester State Exploratory Unit Agreement, Eddy County, New Mexico, May 1, 2006.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Eddy County, New Mexico.

Case No. 13698  
Order No. R-12542

ORDER OF THE DIVISION

BY THE DIVISION: This case came for hearing on April 27, 2006, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 1st day of May, 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 Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Manchester State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Morrow formation underlying the following-described 2,240 acres, more or less, of State of New Mexico lands situated in Eddy County, New Mexico:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM

Section 20: All  
Section 29: All  
Section 31: E/2  
Section 32: All

(3) The Applicant presented testimony by affidavit as follows.

(a) Yates and affiliated companies own 84% of the working interests. All of the working interest is committed to the Unit.

(b) One hundred percent of the royalty interest is owned by the State of New Mexico.

(c) The State Land Office has given preliminary approval for this Unit.

(d) The initial well will be drilled at a standard gas well location 760 feet from the North line and 660 feet from the West line of Section 20, Township 19 South, Range 23 East, NMPM, Eddy County, New Mexico, and to an approximate depth of 7,750 feet.

(e) The primary target for this initial well will be the Morrow, with another possible target in the upper Pennsylvanian and in the upper Wolfcamp carbonates. The Wolfcamp is being developed with horizontal wells in prospects outside this proposed unit.

(4) No other Party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Manchester State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Morrow formation underlying the following-described 2,240 acres, more or less, of State of New Mexico lands situated in Eddy County, New Mexico:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM

Section 20: All  
Section 29: All  
Section 31: E/2  
Section 32: All

(2) The plan contained in the Manchester State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

COLLINS RANCH STATE EXPLORATORY UNIT  
Eddy County, New Mexico

Order No. R-12611, Approving the Collins Ranch State Exploratory Unit Agreement, Eddy County, New Mexico, August 8, 2006.

Application of LCX Energy, LLC for Approval of a Unit Agreement, Eddy County, New Mexico.

Case No. 13752  
Order.No. R-12611

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing on July 20, 2006, at Santa Fe, New Mexico, before Examiner Richard Ezeanyim.

NOW, on this 8th day of August, 2006, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, LCX Energy, LLC ("LCX" or "Applicant"), seeks approval of its Collins Ranch State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 1,120 acres, more or less, of State of New Mexico lands situated in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM

Section 30: SE/4  
Section 31: E/2  
Section 32: All

(3) The Applicant presented testimony that demonstrates that:

(a) One hundred (100%) percent of the working interests owners within the Unit area are committed to the Unit;

(b) One hundred (100%) percent of the royalty interest is owned by the State of New Mexico;

(c) There are no overriding royalty interests in the Unit Area;

(d) The Commissioner of Public Lands has given preliminary approval for the proposed Unit;

(e) The initial well will be drilled at a standard surface gas well location 660 feet from the North line and 760 feet from the East line (Unit A), and the bottomhole location will be at a standard gas well location 660 feet from the South line and 760 feet from the East line (Unit P) of Section 31, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico;

(f) The primary target for this initial well will be the Wolfcamp formation; and

(g) LCX estimates that additional wells will be drilled to develop the unit if the initial well is successful.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Collins Ranch State Exploratory Unit Agreement executed by LCX Energy, LLC is hereby approved for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 1,120 acres, more or less, of State of New Mexico lands situated in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM

Section 30: SE/4  
Section 31: E/2  
Section 32: All

(2) The plan contained in the Collins Ranch State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

OIL ROCK STATE FEE UNIT  
Lea County, New Mexico

Order No. R-12636, Approving the Oil Rock State Fee Unit Agreement,  
Lea County, New Mexico, September 19, 2006.

Application of Purvis Operating Company for a Unit  
Agreement, Lea County, New Mexico.

Case No. 13782  
Order No. R-12636

ORDER OF THE DIVISION

BY THE DIVISION: This case came for hearing on September 14, 2006, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 19th day of September, 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 Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Purvis Operating Company ("Purvis" or "Applicant"), seeks approval of its Oil Rock State Fee Unit Agreement for all oil and gas in all formations underlying the following-described 1926.21 acres, more or less, of State of New Mexico and Fee lands situated in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM

Section 6: Lots 1, 2, S/2 NE/4, and SE/4 (E/2)  
Section 7: E/2  
Section 8: All  
Section 17: All

(3) The Applicant presented testimony by affidavit as follows.

(a) The State Land Office has given preliminary approval for this Unit and ratifications are being sought from other owners.

(b) The initial well will be drilled at a standard location 1320 feet from the North line and 660 feet from the East line of Section 7, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico, and to an approximate depth of 13,500 feet.

(c) The primary target for this initial well will be the Morrow formation, with other possible targets within this voluntary unit located in the Pennsylvanian, the upper Mississippian (Austin formation), and the Devonian.

(d) Purvis is attempting to locate high-risk channel sands in the Morrow and has the need to form a unit in order to locate wells in areas with multiple pay possibilities.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the Applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Oil Rock State Fee Unit Agreement executed by Purvis Operating Company is hereby approved for all oil and gas in all formations underlying the following-described 1926.21 acres, more or less, of State of New Mexico and Fee lands situated in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 35 EAST NMPM

Section 6: Lots 1, 2, S/2 NE/4, and SE/4 (E/2)  
Section 7: E/2  
Section 8: All  
Section 17: All

(2) The plan contained in the Oil Rock State Fee 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

HORSESHOE STATE EXPLORATORY UNIT  
Eddy County, New Mexico

Order No. R-12667, Approving the Horseshoe State Exploratory Unit Agreement, Eddy County, New Mexico, November 16, 2006.

Application of Mewbourne Oil Company for Approval of a Unit Agreement, Eddy County, New Mexico.

Case No. 13806  
Order No. R-12667

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on November 9, 2006, at Santa Fe, New Mexico, before Examiner David R. Catanach.

Now, on this 16th day of November, 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) The applicant, Mewbourne Oil Company, seeks approval of the Horseshoe State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following-described 640 acres, more or less, of State lands in Eddy County, New Mexico:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM  
Section 28: S/2  
Section 33: W/2

(3) This case was presented by affidavit by legal counsel representing Mewbourne Oil Company.

(4) The evidence presented demonstrates that:

(a) the primary objective within the Horseshoe State Exploratory Unit is the Strawn interval; and

(b) the initial well will be drilled at a standard gas well location 1650 feet from the South line and 660 feet from the West line (Unit L) of Section 33, Township 23 South, Range 25 East.

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

(6) 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 Mewbourne Oil Company, the Horseshoe State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 640 acres, more or less, of State lands in Eddy County, New Mexico:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM  
Section 28: S/2  
Section 33: W/2

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

**COTTONWOOD CANYON CARBON DIOXIDE GAS UNIT**  
Catron County, New Mexico

Order No. R-12701, Approving the Cottonwood Canyon Carbon Dioxide Gas Unit Agreement, Catron County, New Mexico, January 4, 2007.

Application of Ridgeway Arizona Oil Corporation  
for Approval of a Unit Agreement, Catron County,  
New Mexico.

Case No. 13785  
Order No. R-12701

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on January 4, 2007, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of January, 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) The applicant, Ridgeway Arizona Oil Corporation ("Ridgeway" or "applicant"), seeks approval of its Cottonwood Canyon Carbon Dioxide Gas Unit Agreement for carbon dioxide gas and all associated or constituent liquid or liquefiable carbonates, including all non-commercial quantities of hydrocarbons or other combination of elements (unitized substances) in any and all formations underlying an area comprising 89,574.12 acres, more or less, of New Mexico State Trust Lands, Federal lands, and fee lands in Catron County, New Mexico, described on Exhibit "A" attached to this order.

(3) The Cottonwood Canyon Carbon Dioxide Gas Unit Agreement, which originally contained lands located in Arizona, was previously approved by Division Order No. R-11168, as amended, dated April 27, 1999. The Cottonwood Canyon Carbon Dioxide Gas Unit Agreement has since expired under its own terms.

(4) The applicant appeared at the hearing and presented evidence in support of this application.

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

(6) 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 Ridgeway Arizona Oil Corporation, the Cottonwood Canyon Carbon Dioxide Gas Unit Agreement is hereby approved for carbon dioxide gas and all associated or constituent liquid or liquefiable carbonates, including all non-commercial quantities of hydrocarbons or other combination of elements (unitized substances) in any and all formations underlying an area comprising 89,574.12 acres, more or less, of New Mexico State Trust Lands, Federal lands, and fee lands in Catron County, New Mexico, described on Exhibit "A" attached to this order.

(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 unitized substances 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 become effective upon the approval of the unit agreement by the appropriate agency of the United States Department of the Interior and the Commissioner of Public Lands for the State of New Mexico. 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.

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

Exhibit "A"  
Case No. 13785  
Division Order No. R-12701  
**COTTONWOOD CANYON CARBON DIOXIDE  
GAS UNIT AREA  
CATRON COUNTY, NEW MEXICO**

Township 2 North, Range 20 West, NMPM  
Sections 30-32: All

Township 2 North, Range 21 West, NMPM  
Section 9: All  
Sections 14-16: All  
Sections 21-28: All  
Sections 33-36: All

Township 1 North, Range 20 West, NMPM  
Sections 4-9: All  
Sections 16-21: All  
Section 26: S/2  
Section 27: S/2  
Sections 28-35: All

Township 1 North, Range 21 West, NMPM  
Sections 1-4: All  
Sections 9-16: All  
Sections 21-28: All  
Sections 33-36: All

**(COTTONWOOD CANYON CARBON DIOXIDE GAS UNIT - Cont'd.)**

Township 1 South, Range 20 West, NMPM  
 Sections 2-10: All  
 Sections 16-21: All  
 Sections 28-33: All

Township 1 South, Range 21 West, NMPM  
 Sections 1-4: All  
 Sections 9-16: All  
 Sections 21-28: All  
 Sections 33-36: All

Township 2 South, Range 20 West, NMPM  
 Sections 5-8: All  
 Sections 18-19: All

Township 2 South, Range 21 West NMPM  
 Sections 1-4: All  
 Sections 9-16: All  
 Sections 21-28: All  
 Sections 33-36: All

Township 3 South, Range 21 West, NMPM  
 Sections 3-4: All

**BIG DOG STATE EXPLORATORY UNIT**  
 Eddy County, New Mexico

Order No. R-12688, Approving the Big Dog State Exploratory Unit Agreement, Eddy County, New Mexico, January 9, 2007.

Application of LCX Energy, LLC for Approval of a Unit Agreement, Eddy County, New Mexico.

Case No. 13803  
 Order No. R-12688

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing on November 30, 2006, at Santa Fe, New Mexico, before Examiner Richard Ezeanyim.

NOW, on this 9th day of January 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) The applicant, LCX Energy, LLC ("LCX" or "Applicant"), seeks approval of its Big Dog State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 1,920 acres, more or less, of State of New Mexico lands situated in Eddy County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 23 EAST, NMPM  
 Section 16: All  
 Section 20: All  
 Section 21: All

(3) The Applicant presented testimony that demonstrates that:

(a) One hundred (100%) percent of the working interests owners within the Unit area are committed to the Unit;

(b) One hundred (100%) percent of the royalty interest is owned by the State of New Mexico;

(c) There are no overriding royalty interests in the Unit Area;

(d) The Commissioner of Public Lands has given preliminary approval for the proposed Unit;

(e) The initial well will be drilled at a standard surface gas well location 660 feet from the North line and 1880 feet from the West line (Unit C), and the bottom hole location will be at a standard gas well location 660 feet from the South line and 1880 feet from the West line (Unit N) of Section 20, Township 18 South, Range 23 East, NMPM, Eddy County, New Mexico;

(f) The primary target for this initial well will be the Wolfcamp formation; and

(g) LCX plans to drill additional wells to develop the unit if the initial well is successful.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Big Dog State Exploratory Unit Agreement executed by LCX Energy, LLC is hereby approved for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 1,920 acres, more or less, of State of New Mexico lands situated in Eddy County, New Mexico:

## (BIG DOG STATE EXPLORATORY UNIT - Cont'd.)

HOPE STATE EXPLORATORY UNIT  
Eddy County, New Mexico

TOWNSHIP 18 SOUTH, RANGE 23 EAST, NMPM  
Section 16: All  
Section 20: All  
Section 21: All

Order No. R-12722, Approving the Hope State Exploratory Unit Agreement, Eddy County, New Mexico, February 23, 2007.

Application of Parallel Petroleum Corporation for  
Approval of a Unit Agreement, Eddy County, New  
Mexico.

Case No. 13863  
Order No. R-12722

(2) The plan contained in the Big Dog State Exploratory 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.

(3) The unit operator shall file with the Division an executed original, or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

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

## ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on January 18, 2007, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 23rd day of February, 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 of the subject matter.

(2) The applicant, Parallel Petroleum Corporation, ("Applicant") seeks approval of its Hope State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 1,840 acres, more or less, of State of New Mexico lands situated in Eddy County, New Mexico:

Township 18 South, Range 21 East, N.M.P.M.  
Section 10: S/2, S/2 N/2, N/2 NW/4  
Section 15: All  
Section 16: All

(3) Applicant presented testimony that demonstrates that:

(a) One hundred percent (100%) of the working interests within the Unit area are committed to the Unit;

(b) One hundred percent (100%) of the royalty interests within the Unit area are owned by the State of New Mexico;

(c) The Commissioner of Public Lands has given preliminary approval for the proposed Unit;

(HOPE STATE EXPLORATORY UNIT - Cont'd.)

(d) The initial well will be drilled as a horizontal well from an unorthodox surface location 778 feet from the South line and 200 feet from the East line of Section 16, Township 18 South, Range 21 East, N.M.P.M. The well will penetrate the Wolfcamp formation (the primary target for this well) at an orthodox point of penetration 777 feet from the South line and 660 feet from the East line of said Section, and proceed to an orthodox terminus and bottomhole location 778 feet from the South line and 660 feet from the West line of said Section;

(e) Applicant plans to drill additional wells to develop the Unit if the initial well is successful.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed Unit acreage appears to be prospective for recovery of gas from the target formations under the concept proposed by Applicant. These acres should be unitized and should share equally in the costs and benefits of future oil and gas production from the Unit.

(6) Approval of the proposed Unit Agreement will prevent waste and protect correlative rights within the lands comprising the Unit Area.

IT IS THEREFORE ORDERED THAT:

(1) The Hope State Exploratory Unit Agreement admitted in evidence as Attachment A to Exhibit A in this case is hereby approved for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 1,840 acres, more or less, of State of New Mexico lands situated in Eddy County, New Mexico:

Township 18 South, Range 21 East, N.M.P.M.  
Section 10: S/2, S/2 N/2, N/2 NW/4  
Section 15: All  
Section 16: All

(2) The plan contained in the Hope State Exploratory Unit Agreement for the development and operation of the above-described Unit Area is hereby approved in principle; provided, however, notwithstanding any provision 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 or control operations of the Unit and production of oil or gas therefrom.

(3) The Unit operator shall file with the Division an executed original or executed counterpart of the Unit Agreement within 30 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 30 days thereafter, copies of the Unit Agreement reflecting the subscription of those parties or interests having joined or ratified.

(4) All (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the Unit Area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon approval of the Unit Agreement by the New Mexico State Land Office. This order shall terminate upon 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.

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

**WALNUT DRAW STATE EXPLORATORY UNIT**  
Eddy County, New Mexico

Order No. R-12721, Approving the Walnut Draw State Exploratory Unit Agreement, Eddy County, New Mexico, February 23, 2007.

Application of Parallel Petroleum Corporation for Approval of a Unit Agreement, Eddy County, New Mexico.

Case No. 13862  
Order No. R-12721

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on January 18, 2007, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 23rd day of February, 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 of the subject matter.

(2) The applicant, Parallel Petroleum Corporation, ("Applicant") seeks approval of its Walnut Draw State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 1,040 acres, more or less, of State of New Mexico lands situated in Eddy County, New Mexico:

Township 18 South, Range 21 East, N.M.P.M.  
Section 24: S/2, S/2 NW/4  
Section 25: All

(3) Applicant presented testimony that demonstrates that:

(a) One hundred percent (100%) of the working interests within the Unit area are committed to the Unit;

(b) One hundred percent (100%) of the royalty interests within the Unit area are owned by the State of New Mexico;

(c) One hundred percent (100%) of the overriding royalty interests within the Unit area are committed to the Unit;

(d) The Commissioner of Public Lands has given preliminary approval for the proposed Unit;

(e) The initial well will be drilled as a horizontal well from an orthodox surface location 660 feet from the North line and 230 feet from the East line of Section 25, Township 18 South, Range 21 East, N.M.P.M. The well will penetrate the Wolfcamp formation (the primary target for this well) at an orthodox point of penetration 670 feet from the North line and 660 feet from the East line of said Section, and proceed

to an orthodox terminus and bottomhole location 760 feet from the North line and 660 feet from the West line of said Section;

(f) Applicant plans to drill additional wells to develop the Unit if the initial well is successful.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed Unit acreage appears to be prospective for recovery of gas from the target formations under the concept proposed by Applicant. These acres should be unitized and should share equally in the costs and benefits of future oil and gas production from the Unit.

(6) Approval of the proposed Unit Agreement will prevent waste and protect correlative rights within the lands comprising the Unit Area.

**IT IS THEREFORE ORDERED THAT:**

(1) The Walnut Draw State Exploratory Unit Agreement admitted in evidence as Attachment A to Exhibit A in this case is hereby approved for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 1,040 acres, more or less, of State of New Mexico lands situated in Eddy County, New Mexico:

Township 18 South, Range 21 East, N.M.P.M.  
Section 24: S/2, S/2 NW/4  
Section 25: All

(2) The plan contained in the Walnut Draw State Exploratory Unit Agreement for the development and operation of the above-described Unit Area is hereby approved in principle; provided, however, notwithstanding any provision 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 or control operations of the Unit and production of oil or 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 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 thereafter, copies of the Unit Agreement reflecting the subscription of those parties or interests having joined or ratified.

(4) All (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the Unit Area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon approval of the Unit Agreement by the New Mexico State Land Office. This order shall terminate upon 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.

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

PARIS DRAW STATE EXPLORATORY UNIT  
Eddy County, New Mexico

Order No. R-12753, Approving the Paris Draw State Exploratory Unit Agreement, Eddy County, New Mexico, May 2, 2007.

Application of Parallel Petroleum Corporation for a Unit Agreement, Eddy County, New Mexico.

Case No. 13895  
Order No. R-12753

ORDER OF THE DIVISION

BY THE DIVISION: This case came on for hearing at 8:15 am on April 12, 2007, at Santa Fe, New Mexico, before Examiner Richard Ezeanyim.

NOW, on this 2nd day of May, 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) The applicant, Parallel Petroleum Corporation ("Parallel" or "Applicant"), seeks approval of its Paris Draw State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 6,833.48 acres, more or less, of State of New Mexico and Federal lands situated in Eddy County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 23 EAST, NMPM

Section 13: E/2  
Section 23: E/2  
Section 24: E/2, SW/4  
Sections 25 and 36: All

TOWNSHIP 16 SOUTH, RANGE 24 EAST, NMPM

Section 16: W/2  
Section 17: All  
Sections 19 and 20: All  
Section 21: W/2 NE/4, SE/4 NE/4, W/2, SE/4  
Section 28: All  
Section 29: E/2  
Section 30: All

(3) The Applicant presented testimony by affidavit that demonstrates that:

(a) One hundred (100%) percent of the working interest and royalty interest owners within the Unit area are committed to the Unit;

(b) The unit covers an area that can be reasonably developed under a unit plan;

(c) The primary target for this unit area is the Wolfcamp formation, but all formations will be evaluated down to the base of the Wolfcamp formation, and if the initial well is successful, additional wells will be drilled in the unit area;

(d) The Commissioner of Public Lands and the Bureau of Land Management (BLM) have given preliminary approval for the proposed Unit; and

(e) The initial well will be horizontally drilled from a surface location 760 feet from the South line and 200 feet from the West line to a standard bottomhole well location 760 feet from the South line and

660 feet from the East line of Section 21, Township 16 South, Range 24 East, NMPM, Eddy County, New Mexico, to an approximate depth of 8,800 feet or a depth sufficient to test the Wolfcamp formation.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the Applicant. These 6,833.48 acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Paris Draw State Exploratory Unit Agreement executed by Parallel Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 6,833.48 acres, more or less, of State of New Mexico and Federal lands situated in Eddy County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 23 EAST, NMPM

Section 13: E/2  
Section 23: E/2  
Section 24: E/2, SW/4  
Sections 25 and 36: All

TOWNSHIP 16 SOUTH, RANGE 24 EAST, NMPM

Section 16: W/2  
Section 17: All  
Sections 19 and 20: All  
Section 21: W/2 NE/4, SE/4 NE/4, W/2, SE/4  
Section 28: All  
Section 29: E/2  
Section 30: All

(2) The plan contained in the Paris Draw State Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office and the Bureau of Land Management. 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.

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

**PIGSKIN STATE EXPLORATORY UNIT**  
Chaves County, New Mexico

Order No. R-12756, Approving the Pigskin State Exploratory Unit Agreement, Chaves County, New Mexico, May 18, 2007.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Chaves County, New Mexico.

Case No. 13915  
Order No. R-12756

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing at 8:15 a.m. on May 10, 2007, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 18th day of May, 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) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Pigskin State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following-described 1,280 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 26 EAST, NMPM,  
Section 13: All  
Section 14: All

(3) The applicant appeared at the hearing through legal counsel. Evidence was presented at the hearing to support the application.

(4) The advertisement for this case incorrectly described the acreage contained within the proposed unit as 1,240 acres. Since the advertisement correctly described all of Sections 13 and 14, Township 12 South, Range 26 East, NMPM, to be contained within the unit area, and since all of the working and royalty interest owners have agreed to participate in the unit, the Division has determined that re-advertisement of this case to correct the deficiency is not necessary.

(5) The evidence presented to support this application further demonstrates that:

(a) the primary objective within the Pigskin State Exploratory Unit is the Wolfcamp formation; and

(b) the initial well will be drilled at a standard gas well location 660 feet from the North line and 1650 feet from the East line (Unit B) of Section 14, Township 12 South, Range 26 East.

(6) Yates and/or its affiliated companies own 100% of the working interest within the unit, and all of the interest is effectively committed to the unit at this time.

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

(8) 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 Yates Petroleum Corporation, the Pigskin State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 1,280 acres, more or less, of State lands in Chaves County, New Mexico:

TOWNSHIP 12 SOUTH, RANGE 26 EAST, NMPM,  
Section 13: All  
Section 14: All

(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 become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. 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.

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

RECIF EXPLORATORY UNIT  
Eddy County, New Mexico

Order No. R-12765, Approving the Recif Exploratory Unit Agreement  
in Eddy County, New Mexico, June 13, 2007.

Application of Yates Petroleum Corporation for  
Approval of a Unit Agreement, Eddy County,  
New Mexico.

Case No. 13922  
Order No. R-12765

ORDER OF THE DIVISION

BY THE DIVISION: This case came for hearing May 24, 2007 at  
Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 13th day of June, 2007, the Division Director, hav-  
ing considered the testimony, the record, and the recommendations  
of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdic-  
tion of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation, seeks approval of its  
Recif Exploratory Unit Agreement for all oil and gas in all formations  
from the surface to the base of the (Upper Pennsylvanian) Canyon  
formation underlying the following-described 5,207.37 acres, more  
or less, of federal, state, and fee lands situated in Eddy County, New  
Mexico:

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM  
Sections 30 and 31: All

TOWNSHIP 23 SOUTH, RANGE 23 EAST, NMPM  
Sections 5 through 8: All  
Sections 18 and 19: All

(3) The Applicant presented testimony by affidavit as follows.

(a) The Unit Agreement has been approved by 100 percent of the  
working interests. There are unleased mineral interests with acreage  
within this proposed unit.

(b) The Unit is made up of 7 tracts, 5 of which are federal (96.1%),  
1 tract is State, and 1 tract is fee.

(c) The Bureau of Land Management and the State Land Office both  
gave preliminary approval for this Unit.

(d) The initial well will be drilled to an approximate depth of 8,000  
feet at a standard well location 660 feet from the North line and 1980  
feet from the West line of Section 7, Township 23 South, Range 23  
East, NMPM, Eddy County, New Mexico.

(e) The primary target for this initial well will be the Canyon, but  
all shallower formations will be evaluated.

(f) Yates intends to test the concept - supported by magnetic surveys-  
that the prolific carbonates of the Indian Basin-Upper Pennsylvanian  
may extend over this area.

(4) No other party appeared at the hearing or otherwise opposed  
this application.

(5) All of the proposed unit acreage appears prospective for recovery  
of oil and gas from the target formations under the concept proposed  
by the applicant. These acres should be unitized and should equally  
share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to pre-  
vent waste and protect correlative rights within the lands assigned to  
the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Recif Exploratory Unit Agreement executed by Yates  
Petroleum Corporation is hereby approved for all oil and gas in all  
formations from the surface to the base of the (Upper Pennsylvanian)  
Canyon formation underlying the following-described 5,207.37 acres,  
more or less, of federal, state, and fee lands situated in Eddy County,  
New Mexico:

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM  
Sections 30 and 31: All

TOWNSHIP 23 SOUTH, RANGE 23 EAST, NMPM  
Sections 5 through 8: All  
Sections 18 and 19: All

(2) The plan contained in the Recif Exploratory 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.

(3) The unit operator shall file with the Division an executed original  
or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the  
unit agreement reflecting the subscription of those interests having  
joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, ex-  
pansions or contractions of participating areas; and (iii) expansions  
or contractions of the unit area shall be submitted to the Division  
Director for approval.

(5) This order shall become effective upon the approval of the unit  
agreement by the United States Bureau of Land Management and the  
New Mexico State Land Office. 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.

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

**HUECO SOUTH EXPLORATORY UNIT**  
Hidalgo County, New Mexico

Order No. R-12841, Approving the Hueco South Exploratory Unit Agreement in Hidalgo County, New Mexico, November 19, 2007.

Application of Dan A. Hughes Company, L.P. for Approval of a Unit Agreement, Hidalgo County, New Mexico.

Case No. 14022  
Order No. R-12841

**ORDER OF THE DIVISION**

BY THE DIVISION: This case came on for hearing on November 1, 2007, at Santa Fe, New Mexico, before Examiners William V. Jones and Carol Leach.

NOW, on this 19th day of November, 2007, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

**FINDS THAT:**

(1) Due public notice has been given, and the Oil Conservation Division has jurisdiction of this case and its subject matter.

(2) The applicant, Dan A. Hughes Company, L.P. seeks approval of its Hueco South Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 82,622.60 acres, more or less, of state and fee lands in Hidalgo County, New Mexico:

**Township 32 South, Range 16 West, NMPM**

Section 5:	All
Section 7:	SE/4
Section 8:	E/2
Section 9:	All
Sections 14 through 17:	All
Section 18:	NE/4, N/2 SE/4, SE/4 SE/4
Sections 19 through 22:	All
Section 23:	All
Section 24:	W/2, W/2 E/2
Sections 25 through 35:	All

**Township 32 South, Range 17 West, NMPM**

Section 21:	All
Section 24:	N/2 N/2, S/2 S/2
Sections 25 through 26:	All
Section 27:	S/2, S/2 N/2
Section 28:	All
Sections 33 through 36:	All

**Township 33 South, Range 15 West, NMPM**

Section 31:	W/2, NE/4, NE/4 SE/4
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**Township 33 South, Range 16 West, NMPM**

Sections 2 through 11:	All
Sections 14 through 23:	All
Sections 25 through 32:	All
Section 33:	S/2, NE/4, N/2 NW/4, SE/4 NW/4
Sections 34 through 36:	All

**Township 33 South, Range 17 West, NMPM**

Sections 1 through 4:	All
Sections 9 through 16:	All
Section 21:	NE/4, S/2
Sections 22 through 28:	All
Sections 33 through 36:	All

**Township 34 South, Range 15 West, NMPM**

Section 4:	All
Section 5:	E/2, NE/4 NW/4, E/2 SW/4, SW/4 SW/4
Section 6:	S/2, NW/4, W/2 NE/4, SE/4 NE/4
Section 7:	W/2, SE/4, E/2 NE/4, SW/4 NE/4
Section 8:	S/2 SW/4, NE/4 SW/4, W/2 SE/4, NE/4 SE/4
Section 9:	SW/4 NE/4, SE/4 NW/4, NW/4 SW/4, S/2 SE/4
Section 10:	E/2, S/2 SW/4
Section 11:	W/2, SW/4 SE/4
Section 12:	SW/4 SE/4, SE/4 SW/4
Section 13:	S/2, NE/4, NE/4 NW/4
Section 14:	NW/4 NE/4, NE/4 NW/4, SE/4 NE/4, E/2 SE/4
Section 15:	SE/4 SE/4, NW/4 SE/4, N/2 SW/4, NW/4
Section 16:	All
Section 17:	S/2, NW/4, S/2 NE/4, NW/4 NE/4
Section 18:	NW/4, N/2 SW/4, SE/4 SW/4, N/2 NE/4, SE/4 NE/4
Section 19:	Lot 2, SW/4 NE/4, NE/4 NW/4
Section 20:	N/2 NE/4
Section 21:	NW/4 NW/4
Section 23:	N/2 NE/4

**Township 34 South, Range 16, NMPM**

Sections 3 through 11:	All
Sections 14 through 24:	All

**Township 34 South, Range 17 West, NMPM**

Section 1 through 4:	All
Sections 10 through 16:	All
Section 24:	All

(3) Applicant presented testimony that demonstrates that:

(a) Sufficient working interest and royalty interest within the Unit area have been voluntarily committed to afford effective control of unit operations to the Unit Plan.

(b) The unit covers an area located within the Pedregosa Basin that can be reasonably developed under a unit plan.

(c) The primary target for this unit area is the Percha Shale formation, but all formations will be evaluated down to the base of the Percha Shale formation, and if the initial well is successful, additional wells will be drilled in the unit area.

(d) The oil and gas mineral rights in approximately 95.5 percent of the acreage detailed above are owned by the State of New Mexico. The Commissioner of Public lands has given preliminary approval for the proposed Unit.

(e) The initial test well (Hueco South Unit 26 State Well No. 1) will be drilled to an approximately depth of 6600 feet at a standard well location 660 feet from the South and West lines of Section 26, Township 32 South, Range 17 West, NMPM, Hidalgo County, New Mexico.

(f) Information will be gathered to aid in identification of fresh waters in this basin. Wells and drilling operations will be designed in order to protect and preserve these waters.

(4) Dan A. Hughes Company, L.P., Fort Worth Operating Company, Yates Petroleum Corporation, and Harvey E. Yates Company each have acreage leased which is included in the 82,622.60 acres detailed above. At the time of the hearing, Yates Petroleum Corporation and Harvey E. Yates Company had not contributed acreage to this unit. Harvey E. Yates Company appeared at the hearing but did

## (HUECO SOUTH EXPLORATORY UNIT - Cont'd.)

not provide testimony. No other participants appeared or otherwise objected to the proposed unit agreement.

(5) All of the proposed unit acreage appears prospective for exploration and recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) Within this unit, exploratory (wildcat) well drilling applications should be individually reviewed by the Division Director to ensure prevention of waste, protection of correlative rights, and protection of human health and the environment. For these wells, the Division should have the option of requiring notice and public hearing prior to approval of the drilling permits.

(7) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

## IT IS THEREFORE ORDERED THAT:

(1) The Hueco South Exploratory Unit Agreement is hereby approved for all oil and gas in all formations underlying the following-described 82,622.60 acres, more or less, of state and fee lands situated in Hidalgo County, New Mexico:

Township 32 South, Range 16 West, NMPM

Section 5:	All
Section 7:	SE/4
Section 8:	E/2
Section 9:	All
Sections 14 through 17:	All
Section 18:	NE/4, N/2 SE/4, SE/4 SE/4
Sections 19 through 22:	All
Section 23:	All
Section 24:	W/2, W/2 E/2
Sections 25 through 35:	All

Township 32 South, Range 17 West, NMPM

Section 21:	All
Section 24:	N/2 N/2, S/2 S/2
Sections 25 through 26:	All
Section 27:	S/2, S/2 N/2
Section 28:	All
Sections 33 through 36:	All

Township 33 South, Range 15 West, NMPM

Section 31:	W/2, NE/4, NE/4 SE/4
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Township 33 South, Range 16 West, NMPM

Sections 2 through 11:	All
Sections 14 through 23:	All
Sections 25 through 32:	All
Section 33:	S/2, NE/4, N/2 NW/4, SE/4 NW/4
Sections 34 through 36:	All

Township 33 South, Range 17 West, NMPM

Sections 1 through 4:	All
Sections 9 through 16:	All
Section 21:	NE/4, S/2
Sections 22 through 28:	All
Sections 33 through 36:	All

Township 34 South, Range 15 West, NMPM

Section 4:	All
Section 5:	E/2, NE/4 NW/4, E/2 SW/4, SW/4 SW/4

Section 6:	S/2, NW/4, W/2 NE/4, SE/4 NE/4
Section 7:	W/2, SE/4, E/2 NE/4, SW/4 NE/4
Section 8:	S/2 SW/4, NE/4 SW/4, W/2 SE/4, NE/4 SE/4
Section 9:	SW/4 NE/4, SE/4 NW/4, NW/4 SW/4, S/2 SE/4
Section 10:	E/2, S/2 SW/4
Section 11:	W/2, SW/4 SE/4
Section 12:	SW/4 SE/4, SE/4 SW/4
Section 13:	S/2, NE/4, NE/4 NW/4
Section 14:	NW/4 NE/4, NE/4 NW/4, SE/4 NE/4, E/2 SE/4
Section 15:	SE/4 SE/4, NW/4 SE/4, N/2 SW/4, NW/4
Section 16:	All
Section 17:	S/2, NW/4, S/2 NE/4, NW/4 NE/4
Section 18:	NW/4, N/2 SW/4, SE/4 SW/4, N/2 NE/4, SE/4 NE/4
Section 19:	Lot 2, SW/4 NE/4, NE/4 NW/4
Section 20:	N/2 NE/4
Section 21:	NW/4 NW/4
Section 23:	N/2 NE/4

Township 34 South, Range 16, NMPM

Sections 3 through 11:	All
Sections 14 through 24:	All

Township 34 South, Range 17 West, NMPM

Section 1 through 4:	All
Sections 10 through 16:	All
Section 24:	All

(2) The plan contained in the Hueco South Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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) Within this unit, exploratory wildcat drilling applications as defined in NMAC 19.15.3.104A.(1)(b) shall be individually reviewed by the Division Director to ensure prevention of waste, protection of correlative rights, and protection of human health and the environment. For these exploratory wells, the Division shall have the option of requiring notice and public hearing prior to approval of the drilling permits.

(7) 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.

THURMAN DRAW EXPLORATORY UNIT  
Eddy County, New Mexico

Order No. R-12911, Approving the Thurman Draw Exploratory Unit Agreement in Eddy County, New Mexico, February 25, 2008.

Application of Yates Petroleum Corporation for Approval of a Unit Agreement, Eddy County, New Mexico.

Case No. 14081  
Order No. R-12911

ORDER OF THE DIVISION

BY THE DIVISION: This case came for hearing February 21, 2008 at Santa Fe, New Mexico, before Examiners David K. Brooks and William V. Jones.

NOW, on this 25th day of February, 2008, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation, seeks approval of its Thurman Draw Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the (Upper Mississippian) Barnett Shale formation underlying the following-described 5,780.38 acres, more or less, of federal, state, and fee lands situated in Eddy County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 23 EAST, NMPM

Section 8: All  
Section 9: All  
Section 10: All  
Section 15: All  
Section 16: All  
Section 17: All  
Section 20: All  
Section 21: All  
Section 22: All

(3) The Applicant presented testimony by affidavit as follows.

(a) The Unit is made up of 7 tracts, 3 of which are federal (86.85%), 3 tracts are State (12.46%), and there is 1, 40-acre fee tract.

(b) The Unit Agreement has been approved by 99 percent of the working interests - the State Land Office and the Bureau of Land Management have both given preliminary approval for this Unit.

(c) The initial well will be drilled to an approximate depth of 8,750 feet at a standard well location 1200 feet from the North line and 1850 feet from the West line of Section 16, Township 26 South, Range 23 East, NMPM, Eddy County, New Mexico.

(d) The primary target for this initial well will be gas production from fractures in the Barnett Shale formation, with secondary hydrocarbon targets in shallower formations including the Wolfcamp and Bone Spring formations.

(e) The Barnett Shale appears to be in the gas generation window and the initial well is located on a flexure which could have resulted in fracturing.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Thurman Draw Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the (Upper Pennsylvanian) Barnett Shale formation underlying the following-described 5,207.37 acres, more or less, of federal, state, and fee lands situated in Eddy County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 23 EAST, NMPM

Section 8: All  
Section 9: All  
Section 10: All  
Section 15: All  
Section 16: All  
Section 17: All  
Section 20: All  
Section 21: All  
Section 22: All

(2) The plan contained in the Thurman Draw Exploratory 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.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 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 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the United States Bureau of Land Management and the New Mexico State Land Office. 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.

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

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. 13377  
ORDER NO. R-12268

APPLICATION OF PECOS PRODUCTION COMPANY FOR APPROVAL OF A  
COOPERATIVE WATERFLOOD PROJECT AND TO QUALIFY THE  
PROJECT FOR THE RECOVERED OIL TAX RATE, EDDY COUNTY, NEW  
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 18, 2004, and January 6, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this day 12<sup>th</sup> of January, 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) The applicant, Pecos Production Company ("Pecos"), seeks authority to institute a cooperative waterflood project within the following-described area by the injection of produced water into the Queen formation, Shugart (Yates-Seven Rivers-Queen-Grayburg) Pool ("Shugart Pool") through five proposed injection wells located in Sections 2 and 3, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico:

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM

Section 2: Lots 3 and 4, S/2 NW/4, SW/4

Section 3: Lots 1 and 2, S/2 NE/4, SE/4

EXHIBIT H

- (3) The proposed injection wells are described as follows:

<u>Well Name &amp; Number</u>	<u>Well Location</u>
State "2" Well No. 1	Unit E, Section 2, T-19 South, R-30 East
State "2" Well No. 5	Unit M, Section 2, T-19 South, R-30 East
State "2" Well No. 7	Unit K, Section 2, T-19 South, R-30 East
Benson "3" Federal Well No. 2	Unit A, Section 3, T-19 South, R-30 East
Benson "3" Federal Well No. 6	Unit I, Section 3, T-19 South, R-30 East

(4) This case was originally heard on November 18, 2004 and was taken under advisement at that time. Subsequent to the hearing, it was determined that the advertisement for the case did not correctly describe the proposed **waterflood** project area. The case was reopened and heard on January 6, 2005 to correct the deficiency in the advertisement.

(5) Yates Petroleum Corporation, an offset operator, appeared at the hearing to oppose the application on the basis that it owns an offset producing well, the Benson Deep "AAZ" Federal Well No. 4 (API No. 30-015-24775) located 1980 feet from the North and West lines (Unit F) of Section 3, which is not cemented across the proposed injection interval and is therefore exposed to possible damage by waterflood operations. The Benson Deep "AAZ" Federal Well No. 4 is currently producing from the Bone Spring formation through the perforated interval from 8,053 feet to 8,096 feet.

(6) The proposed project area is comprised of three separate state and federal leases. State of New Mexico Lease No. V-640 covers Lots 3 and 4, S/2 NW/4 and SW/4 of Section 2, Federal Lease No. NM-29228 covers Lots 1 and 2 and the S/2 NE/4 of Section 3 and Federal Lease No. NM-67985 covers the SE/4 of Section 3.

(7) The proposed project area is fully contained within the Shugart Pool.

(8) The evidence presented by Pecos demonstrates that:

- (a) Pecos is the only working interest owner within the proposed project area. Royalty interest is all state and federal;
- (b) within the project area, Pecos will utilize five existing wells as injection wells and six existing wells as producing wells;

- (c) the Queen formation is the only productive interval in the Shugart Pool within the proposed project area. The gross Queen sand interval is approximately 150 feet thick and is comprised of at least two separate productive sand members; and
  - (d) the porosity within the productive sand members diminishes as you move up dip towards the northwest portion of the project area where the Yates Benson Deep "AAZ" Federal Well No. 4 is located.
- (9) The wells within the project area are in an advanced state of depletion.
- (10) Pecos estimates that it will cost approximately \$1.0 million dollars to implement waterflood operations within the proposed project area.
- (11) Pecos estimates that implementation of the proposed secondary recovery project will result in the recovery of an additional 500,000 barrels of oil that would otherwise not be recovered, thereby preventing waste.
- (12) The evidence presented by Pecos shows that there is an additional well within the "area of review" of the Benson "3" Federal Well No. 2 that is not cemented across the proposed injection zone. This well is the Gruy Petroleum Management Company ("Gruy") Benson "3" Federal Well No. 1 (API No. 30-015-25718) located 760 feet from the North line and 2080 feet from the East line (Unit B) of Section 3. Division records show that this well is producing from the Benson-Strawn Gas Pool through perforations from 10,888 feet to 10,902 feet.
- (13) Pecos contends that injection in the western portion of the project area does not pose a threat to the Yates Benson Deep "AAZ" Federal Well No. 4 or the Gruy Benson "3" Federal Well No. 1 because: i) both wells are located in an area of up dip porosity pinch out within the targeted Queen sands; and ii) the pressure sinks within the project area will be located generally to the south and east of the two injection wells in Section 3.

(14) Yates presented evidence that demonstrates that:

- (a) the Queen sands targeted for injection by Pecos are continuous within the project area and extend into the Yates Benson Deep "AAZ" Federal Well No. 4 and the Gruy Benson "3" Federal Well No. 1. In addition, there does not appear to be a definitive porosity barrier that would preclude injected fluid from migrating towards the Yates and Gruy wells;
- (b) Pecos' current waterflood plan does not provide for a producing well to be located between its Benson "3" Federal Wells No. 2 and 6 injection wells and the Yates and Gruy wells;
- (c) although the Yates Benson Deep "AAZ" Federal Well No. 4 currently only produces two barrels of oil per day from the Bone Spring interval, Yates expects to economically produce this interval for several more years. In addition, there are other potentially productive intervals in the well that may be tested in the future; and
- (d) injection into the Benson "3" Federal Wells No. 2 and 6 poses a significant risk to the Yates and Gruy wellbores.

(15) Yates requests that the Division deny that portion of Pecos' application to utilize the Benson "3" Federal Wells No. 2 and 6 as injection wells in this project; or in the alternative, Yates requests that Pecos be required to equip and utilize a well located to the west of the Benson "3" Federal Wells No. 2 and 6 as either a monitor or producing well. Yates suggested that the Benson "3" Federal Well No. 5, a plugged and abandoned well located 2310 feet from the North line and 1650 feet from the East line (Unit G) of Section 3, might serve as a possible candidate.

(16) The evidence presented in this case demonstrates that:

- (a) the Queen sands are continuous in Sections 2 and 3, and there is sufficient porosity in the Queen sands within the Yates Benson Deep "AAZ" Federal Well No. 4 and the Gruy Benson "3" Federal Well No. 1 so as to provide an avenue whereby injected fluid from Pecos' proposed injection wells in Section 3 may reach these wellbores;
- (b) there are oil and gas reserves within the Yates Benson Deep "AAZ" Federal Well No. 4 and the Gruy Benson "3" Federal Well No. 1 that may be adversely affected by the proposed injection in Section 3, thereby violating the correlative rights of Yates and Gruy; and
- (c) Pecos' current plan of waterflood operations does not provide any protection for the Yates and Gruy wellbores.

(17) It is the general policy of the Division to require that all wells within the "area of review" of a proposed injection well be cemented above, across and below the injection interval. There is not sufficient evidence in this case to justify an exception to this policy.

(18) Although the Yates Benson Deep "AAZ" Federal Well No. 4 is located outside the "area of review" of Pecos' proposed injection wells in Section 3 (the Yates Benson Deep "AAZ" Federal Well No. 4 is located 3,267 feet from the Benson "3" Federal Well No. 2 and 3,130 feet from the Benson "3" Federal Well No. 6,) this well should be afforded protection from waterflood operations.

(19) Injection into the Benson "3" Federal Wells No. 2 and 6 should not be authorized until such time as Pecos presents an acceptable plan of operation that will reduce or eliminate the risk to the Yates Benson Deep "AAZ" Federal Well No. 4 and to the Gruy Benson "3" Federal Well No. 1.

(20) The proposed waterflood project should be approved, and Pecos should be authorized to utilize its State "2" Wells No. 1, 5 and 7 as injection wells within the project area, all as shown in detail on Exhibit "A" attached to this order.

(21) Prior to commencing injection operations into the State "2" Well No. 1, this well should be plugged back to a depth of approximately 3,300 feet in a manner that is acceptable to the supervisor of the Division's Artesia District Office.

(22) The applicant further seeks to qualify the waterflood project as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (NMSA 1978 Sections 7-29A-1 through 7-29A-5).

(23) The evidence presented demonstrates that:

- (a) the application for approval of the proposed secondary recovery project has not been prematurely filed either for economic or technical reasons;
- (b) the area affected by the proposed project has been so depleted by primary operations that it is prudent to apply secondary recovery techniques to maximize the ultimate recovery of crude oil from the pool; and
- (c) the proposed secondary recovery project meets all the criteria for certification by the Division as a qualified "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (NMSA 1978 Sections 7-29A-1 through 7-29A-5).

(24) The approved project area should initially comprise Lots 3 and 4, S/2 NW/4 and SW/4 of Section 2 and Lots 1 and 2, S/2 NE/4 and SE/4 of Section 3; however, the "project area" and/or the producing wells eligible for the enhanced oil recovery (EOR) tax rate may be contracted and reduced based upon the evidence presented by the applicant in its demonstration of a positive production response.

(25) To be eligible for the EOR tax rate, the operator should advise the Division of the date water injection commences within the secondary recovery project. At that time, the Division will certify the project to the New Mexico Taxation and Revenue Department.

(26) At such time as a positive production response occurs, and within five years from the date the project was certified to the New Mexico Taxation and Revenue Department, the applicant must apply to the Division for certification of a positive production response. This application shall identify the area benefiting from enhanced oil recovery operations and the specific wells eligible for the EOR tax rate. The Division may review the application administratively or set it for hearing. Based upon the evidence presented, the Division will certify to the New Mexico Taxation and Revenue Department those wells that are eligible for the EOR tax rate.

**IT IS THEREFORE ORDERED THAT:**

(1) Pecos Production Company is hereby authorized to institute a waterflood project within the following-described area by the injection of water into the Queen formation, Shugart (Yates-Seven Rivers-Queen-Grayburg) Pool, Eddy County, New Mexico, through three injection wells shown on Exhibit "A" attached to this order located in Sections 2 and 3, Township 19 South, Range 30 East, NMPM:

Township 19 South, Range 30 East, NMPM

Section 2:	Lots 3 and 4, S/2 NW/4, SW/4
Section 3:	Lots 1 and 2, S/2 NE/4, SE/4

(2) The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(3) Injection into each of the wells shown on Exhibit "A" shall be accomplished through 2 3/8 inch internally plastic-lined tubing installed in a packer located within 100 feet of the uppermost injection perforations. The casing-tubing annulus in each well shall be filled with an inert fluid and a gauge or approved leak-detection device shall be attached to the annulus in order to determine leakage in the casing, tubing, or packer.

(4) The injection wells or pressurization system shall be equipped with a pressure control device or acceptable substitute that will limit the surface injection pressure to no more than 0.2 psi per foot of depth to the uppermost injection perforation, all as shown on Exhibit A.

(5) The Division Director may administratively authorize a pressure limitation in excess of the above upon a showing by the operator that such higher pressure will not result in the fracturing of the injection formation or confining strata.

(6) Prior to commencing injection operations, the casing in each well shall be pressure tested throughout the interval from the surface down to the proposed packer setting depth to assure the integrity of such casing.

(7) Prior to commencing injection operations into the State "2" Well No. 1, the well shall be plugged back to a depth of approximately 3,300 feet in a manner acceptable to the supervisor of the Division's Artesia District Office.

(8) The operator shall give advance notice to the supervisor of the Division's Artesia District Office of the date and time (i) injection equipment will be installed, (ii) the mechanical integrity pressure tests will be conducted on the injection wells, and (iii) remedial plug back work will be conducted on the State "2" Well No. 1, so that these operations may be witnessed.

(9) The operator shall immediately notify the supervisor of the Division's Artesia District Office of the failure of the tubing, casing or packer in any of the injection wells or the leakage of water, oil or gas from or around any producing or plugged and abandoned well within the project area, and shall promptly take all steps necessary to correct such failure or leakage.

(10) The waterflood project is hereby designated the State "2" Shugart Cooperative Waterflood Project, and the applicant shall conduct injection operations in accordance with Division Rules No. 701 through 708, and shall submit monthly progress reports in accordance with Division Rules No. 706 and 1115.

(11) The injection authority granted herein for each well shown on Exhibit "A" shall terminate one year after the date of this order if the operator has not commenced injection operations into the well; provided, however, the Division, upon written request by the operator, may grant an extension for good cause.

(12) The State "2" Shugart Cooperative Waterflood Project is hereby certified as an "Enhanced Oil Recovery Project." The project area shall initially comprise the area described in Ordering Paragraph No. (1), provided however, the project area and/or the producing wells eligible for the enhanced oil recovery (EOR) tax rate may be contracted and reduced based upon the evidence presented by the applicant in its demonstration of a positive production response.

(13) To be eligible for the EOR tax rate, the operator shall advise the Division of the date and time water injection commences within the secondary recovery project. At that time, the Division will certify the project to the New Mexico Taxation and Revenue Department.

(14) At such time as a positive production response occurs, and within five years from the date the project was certified to the New Mexico Taxation and Revenue Department, the applicant must apply to the Division for certification of a positive production response. This application shall identify the area benefiting from enhanced oil recovery operations and the specific wells eligible for the EOR tax rate. The Division may review the application administratively or set it for hearing. Based upon the evidence presented, the Division will certify to the New Mexico Taxation and Revenue Department those wells that are eligible for the EOR tax rate.

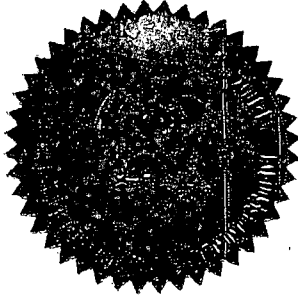
(15) The portion of Pecos Production Company's application to convert the Benson "3" Federal Well No. 2 (API No. 30-015-26260) located 330 feet from the North line and 480 feet from the East line (Unit A) of Section 3, and the Benson "3" Federal Well No. 6 (API No. 30-015-26565) located 2310 feet from the South line and 330 feet from the East line (Unit I) of Section 3, both in Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico, is hereby denied.

(16) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

Case No. 13377  
Order No. R-12268  
Page 10

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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 cursive script, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.  
Director

Exhibit "A"  
Case No. 13377  
Division Order No. R-12268  
State "2" Shugart Cooperative Waterflood Project  
Approved Injection Wells

Well Name & Number	API Number	Well Location	Injection Interval	Packer Depth	Maximum Surface Injection Pressure
State "2" Well No. 1	80015-25001	1855' TNL & 880' FWL (Unit E) Section 2, T-12S, R-30E	2,980' - 3,120'	2,930'	598 ± 8 IG
State "2" Well No. 5	30015-28483	880' TNL & 330' FWL (Unit M) Section 2, T-12S, R-30E	2,888' - 2,922'	2,850'	580 ± 8 N
State "2" Well No. 7	30015-28522	1980' TNL & 650' FWL (Unit K) Section 2, T-12S, R-30E	2,978' - 3,023'	2,910'	528 ± 8 IO

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION

APPLICATION OF YATES PETROLEUM CORPORATION  
FOR APPROVAL OF A UNIT AGREEMENT, EDDY  
COUNTY, NEW MEXICO

CASE NO. 14081

FEBRUARY 21, 2008

1220 South St. Francis Drive  
Santa Fe, New Mexico

EXAMINER: WILLIAM L. JONES

LEGAL ADVISOR: David Brooks

OCEAN MUNDS-DRY, ESQ.  
Holland & Hart, LLC  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501

EXHIBITS 1 - 2

EXHIBIT I

REPORTED BY: JOYCE D. CALVERT, P-03  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, New Mexico 87102

2008 FEB 24 PM 1 11

RECEIVED

2008/2/21 E. J. M. J.

1 EXAMINER JONES: Let's call Case No. 14081, the  
2 application of Yates Petroleum Corporation for approval of a  
3 unit agreement, Eddy County, New Mexico. Call for appearances.

4 MS. MUNDS-DRY: Ocean Munds-Dry from the law firm of  
5 Holland & Hart representing applicant in this case. I'm  
6 presenting this case by affidavit.

7 EXAMINER JONES: Okay.

8 MS. MUNDS-DRY: Mr. Examiner, I've handed you a  
9 packet. And Yates seeks approval of the Thurman Draw  
10 Exploratory Unit. This unit, proposed unit, has been comprised  
11 of 5780.38 acres and includes federal, state and fee land. And  
12 it's located approximately 14 miles southwest of White City,  
13 New Mexico.

14 Yates Exhibit No. 1 is the affidavit of David Prose,  
15 who is the petroleum geologist identifying the project.  
16 Attachment A to the affidavit is a copy of the unit agreement  
17 for the Thurman Draw Unit.

18 MR. BROOKS: It's not in Texas, is it?

19 MS. MUNDS-DRY: It's close, but not quite.

20 MR. BROOKS: 14 miles south of White City, I would  
21 have thought it would be real close.

22 MS. MUNDS-DRY: Very close. This unit agreement  
23 conforms to the state and federal office forms. Yates proposes  
24 to test all formations from the surface to the Barnett Shale  
25 formation. So it is very close to Texas.

1           The initial test well is to be located at a standard  
2   location 1200 feet from the north line and 1850 feet from the  
3   west line of Section 16, Township 26S, Range 23E, to test all  
4   formations from the surface to an approximate total depth of  
5   8750 feet.

6           Attachment B to the affidavit is a copy of the plats,  
7   the unit agreements, which identify the unit boundary. You  
8   will note the interest owners are shown on each of the tracts  
9   including the Yates acreage. And it also identifies the  
10   federal, state and fee portions.

11          Attachment C to the affidavit is a copy of the  
12   ownership breakdown. 99 percent of the working interest is  
13   committed to the unit. There's a small fee owner who has not  
14   yet committed their acreage. But, like I said, 99 percent of  
15   the working interest is committed.

16          Attachment D to the affidavit is a letter from the  
17   Bureau of Land Management designating the unit. And behind  
18   that is a letter from the Commissioner of Public Lands giving  
19   their preliminary approval to the formation of this unit.

20          Attachment E to the affidavit is a top of structure  
21   map which shows the lower formation. It shows the proposed  
22   unit outlining and encompassing a south plunging structural  
23   nose.

24          And Attachment F to the affidavit is a cross section  
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1 penetrated the Barnett. And as I noted, Mr. Prose discusses  
2 both of those exhibits in his affidavit.

3 And then, finally, Yates Exhibit No. 2 is the  
4 affidavit of publication that was given. Mr. Prose testifies  
5 that the development of this unit area is pursuant to the unit  
6 plan, is in the best interest of conservation, the prevention  
7 of waste and the protection of relative rights.

8 And with that, we would ask that Yates Exhibit No. 1  
9 and all of its attachments and Exhibit No. 2 be admitted into  
10 evidence.

11 EXAMINER JONES: Exhibit No. 1 and Exhibit No. 2.

12 MS. MUNDS-DRY: Yes.

13 EXAMINER JONES: Into evidence?

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16 [Hearing concluded.]

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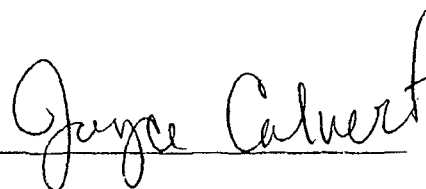
25

I do hereby certify that the foregoing is  
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the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on 4-11-65  
[Signature], Examiner  
Oil Conservation Division

## REPORTER'S CERTIFICATE

I, JOYCE D. CALVERT, Provisional Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this proceeding.



JOYCE D. CALVERT  
New Mexico P-03  
License Expires: 7/31/08

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DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION

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80/21/3 1502

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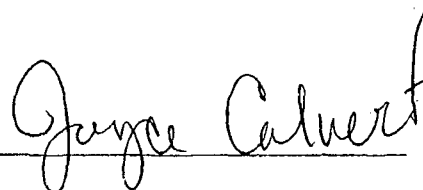
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Oil Conservation Division

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JOYCE D. CALVERT  
New Mexico P-03  
License Expires: 7/31/08

1 STATE OF NEW MEXICO )  
2 COUNTY OF BERNALILLO )

3

4 I, JOYCE D. CALVERT, a New Mexico Provisional  
5 Reporter, working under the direction and direct supervision of  
6 Paul Baca, New Mexico CCR License Number 112, hereby certify  
7 that I reported the attached proceedings; that pages numbered  
8 1-5 inclusive, are a true and correct transcript of my  
9 stenographic notes. On the date I reported these proceedings,  
10 I was the holder of Provisional License Number P-03.

11 Dated at Albuquerque, New Mexico, this 27th day of  
12 February, 2008.

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Joyce Calvert

Joyce D. Calvert  
Provisional License #P-03  
License Expires: 7/31/08

Paul Baca

Paul Baca, RPR  
Certified Court Reporter #112  
License Expires: 12/31/08

(b) The three wells drilled to date within this Unit have been unproductive of oil from Silurian or Devonian age rocks. However, that drilling along with 3-d seismic has identified some potential for natural gas from Mississippian aged rocks and a better potential for natural gas from sands of the Pennsylvanian Canyon formation. Since the primary target has changed from 40-acre spaced oil in the Fusselman to [possibly] 640-acre spaced natural gas from the shallower Canyon, the locations of prospective drilling, and the exploration prospect acreage, have changed. HEYCO did not show geologic evidence or facts confirming that the proposed Unit acreage would be compatible with this latest exploration concept. A review of Division records containing submitted Plans of Development indicates that the structure for the Canyon gas is primarily located in the southern portion of the existing Unit and extends to the Texas state line. Therefore, HEYCO has not shown the need to retain acreage along the northern or northwestern edge of the existing Unit, suggesting that the Unit should possibly be contracted in the northern and northwestern portion - instead of the proposed expansion.

(c) The drilling to date was done with compressed air to a depth at which it was no longer possible because of the occurrence of water. Wellbore stability problems were encountered above the Pennsylvanian, and large quantities of water were discovered adjacent to, above or below gas shows in a highly permeable Canyon interval. HEYCO did not show what changes, if any, have been made to its drilling well designs in order to isolate wellbore problems and to protect the large quantities of in-situ fresh waters from invasion of drilling fluids or contamination from fluids of deeper formations.

(d) The discovered Canyon interval containing gas and water was found to be highly permeable and likely needing a much larger well spacing - possibly 640 acres per unit - than the 160-acre gas spacing units for Otero County defined under Division Rule 104C(3). HEYCO did not present any evidence that would enable the Division to determine whether drilling in and near any edges of the proposed, expanded Unit would protect correlative rights.

(e) The switch from an oil target to a natural gas objective means that miles of pipelines must be constructed to get the gas out of this basin. HEYCO did not present any evidence to show that this was practically or economically feasible.

(9) The Division has the statutory duty to regulate oil and gas exploration and development within New Mexico such that waste is prevented, correlative rights are protected, and human health and the environment are not harmed. The facts available to the Division at this time do not enable the Division to determine whether approval of this application will prevent waste, protect correlative rights, and protect human health and the environment.

For release: January 14, 2007

Contact: Jodi McGinnis Porter, Public Information Officer, 505-476-3226

**State Finds Bureau of Land Management's Environmental Assessment on Otero Mesa Insufficient!**  
*Urges BLM to Perform a Full Environmental Impact Statement*

Santa Fe, NM -- Governor Bill Richardson and Energy, Minerals and Natural Resources Secretary Joanna Prukop expressed concern today that the BLM's Environmental Assessment on an Application for a Permit to Drill a gas well on Otero Mesa is incomplete and insufficient. The State of New Mexico calls upon the Bureau of Land Management to conduct a full Environmental Impact Statement.

"Rather than an Environmental Assessment, a complete Environmental Impact Statement is necessary to protect this vulnerable geographic area," said Secretary Prukop. "The adverse repercussions to the environment are irrecoverable if oil and gas exploration continues without more in-depth study."

Energy, Minerals and Natural Resources Secretary Prukop sent a letter to the BLM today expressing the state's concerns about the BLM's Environmental Assessment on this issue. The letter discusses cumulative impact issues, such as those affecting wildlife and wildlife habitat, ground water, fragmentation, vegetation, and including the potential impact of ongoing litigation.

The BLM generated an environmental assessment in response to the Application for Permit to Drill submitted by the Harvey E. Yates Company (HEYCO) for a proposed gas well located on the HEYCO lease number NMNM 71526 in T. 26S, R. 12E, Sect. 23, SW1/4, NMPM.

The state's main concern is protecting Otero Mesa from the cumulative impacts of anticipated oil and gas development. The Chihuahuan Desert Grasslands is one of the three most species-diverse arid regions in the world in terms of plants and animals, surpassing even the Sonoran Desert of Arizona and California. The area has been ranked by the World Wildlife Fund as "globally outstanding for species richness" in the category of reptiles, birds, mammals and cacti. In addition, there is a large fresh-water aquifer located directly below and adjacent to the Otero Mesa that is believed to contain approximately 15 million acre-feet of recoverable, potable, fresh ground-water. However, the data being accumulated regarding the soils in this region indicate it may be exceptionally vulnerable to surface contaminants impacting ground-water.

"Otero Mesa is an ecologically viable and precious area," said Governor Bill Richardson. "It is critical that every safety measure be taken to protect ground water and native plant and animal species from the activities involved with oil and gas operations."

The BLM's Environmental Assessment is incomplete, and relies upon data that is outdated and incomplete, particularly in light of recent Federal Court of Appeals Rulings, confirming that much more than a perfunctory discussion is required under National Environmental Policy Act (NEPA) *Center for Biological Diversity v. NHTSA*, 508 F.3d 508 (9<sup>th</sup> Cir. 2007). Further analysis and evaluation are required to meet the requirements imposed by NEPA and to protect the natural resources in this region.

#30#

*The Energy, Minerals and Natural Resources Department provide resource protection and resource development services to the public and other state agencies.*

Attachment: Letter from Secretary Prukop to BLM

EXHIBIT

**K**

January 14, 2008

John Besse  
BLM Las Cruces District Office  
1800 Marquess Street  
Las Cruces, NM 88005

Re: Environmental Assessment for Bennett Ranch Unit #6, EA #NM-030-2006-161

Dear Mr. Besse,

I am writing to express the comments of the New Mexico Energy, Minerals and Natural Resources Department (EMNRD) on the Environmental Assessment generated in response to the Application for Permit to Drill (APD) submitted by the Harvey E. Yates Company (HEYCO) for a proposed well located on the HEYCO lease number NMNM 71526 in T. 26S, R. 12E, Sect. 23, SW1/4, NMPM. EMNRD has reviewed the Environmental Assessment (EA) prepared by the BLM purporting to analyze the potential impacts of HEYCO's proposal, and, for reasons more fully discussed below, we feel that the assessment is incomplete, outdated and insufficient, particularly in light of recent Federal Court of Appeals Rulings, and that further analysis and evaluation is required in this case.

• CUMULATIVE IMPACT ISSUES: i) Fragmentation & Vegetation; ii) Water

The purported cumulative impact analysis put forth by the EA falls far short of that which is required of the BLM pursuant to the National Environmental Policy Act ("NEPA"). The subject EA has erroneously focused solely on the one well specified in the application, rather than addressing the reasonably foreseeable large number of wells that are likely to be drilled in this ecologically valuable and sensitive area. The EA further fails to contemplate what actual production of even that one well, let alone production of the reasonably foreseeable numerous wells in this geographic area, would involve in terms of impacts to the environment. One example of this is the EA's failure to adequately address the extensive pipeline system and associated additional roads that will be required for the operation of the wells proposed for this area, and the transportation of the natural gas produced by such wells. HEYCO has two producible natural gas wells that are currently shut-in because there is currently no pipeline. Therefore, the BLM definitely should have considered a pipeline in determining the impacts of the action proposed by the Application.

The Ninth Circuit Court of Appeals recently had an opportunity to address the importance of the cumulative impact analysis, and, indeed, confirmed that much more than a perfunctory discussion is required under NEPA. *Center for Biological Diversity v. NHTSA*, 508 F.3d 508 (9th Cir. 2007). Based upon the conclusions reached by the Ninth Circuit in *Center for Biological Diversity*, and the guidance provided by publications generated by the EPA regarding such analyses, the BLM must revisit the cumulative impact analysis in this matter.

In 1999, in an attempt to provide some guidance regarding what constitutes a proper and sufficient cumulative impact analysis, the EPA generated the publication entitled *Consideration of Cumulative Impacts in EPA Review of NEPA Documents*, U.S. Environmental Protection Agency, Office of Federal Activities (2252A), EPA 315-R-99-002/May 1999. This publication provides an informative discussion regarding the major review areas to be considered in a cumulative impact analysis under NEPA, and provides definitive examples of the kinds of analysis under each review category that would or would not be sufficient for purposes of NEPA. In that publication, the EPA noted that "[t]he adequacy of cumulative impact analysis depends on how well the analysis considers impacts that are due to past, present, and reasonably foreseeable future actions." *Id.* at p. 10. The Ninth Circuit reiterated this standard in the recent *Center for Biological Diversity* case, and, quoting the opinion in the case *Klamath-Siskiyou Wildlands Cir. v. Bureau of Land Mgmt.*, 387 F.3d 989, 993-94 (9th Cir. 2004), went on to observe that "[c]umulative impacts of multiple projects can be significant in different ways...[and that] [s]ometimes the total impact from a set of actions may be greater than the sum of the parts." (*Emphasis added.*) *Center for Biological Diversity* 508 F.3d at 548.

In discussing the implications and parameters of this standard, the EPA stresses that it is important to include information regarding "thresholds" indicative of adverse change for a particular area or resource, noting that a variety of factors can be used to define thresholds, including change in land cover, change in water quality, changes in watershed integrity or changes in or the occurrence of habitat fragmentation. *Consideration of Cumulative Impacts* at p. 18. The EPA's discussion goes on to instruct that cumulative impact analysis should "focus on the specific resources and ecological components that can be affected by the incremental effects of the proposed action and other actions in the same geographic area" by considering such things as whether the resource is particularly vulnerable to incremental effects, whether the proposed action is likely to be only one of a number of similar actions being taken in the same geographical area, whether the anticipated effects have been historically significant with regard to the particular resource, among other considerations. (*Emphasis added.*) *Id.* at p. 5.

The obligations imposed upon agencies by NEPA serve two important purposes: to inform the public and to ensure agency consideration of the environmental impacts of the actions being proposed. *Center for Biological Diversity*, 508 F.3d at 546. An analysis of whether a proposed action may have a significant effect on the environment "requires consideration of two broad factors: context and intensity." *Id.* at 14914 quoting 40 CFR § 1508.27. Regulations mandate that agencies consider a number of specific factors in conducting such an analysis, with one being "[t]he degree to which the action may establish a precedent for future actions with significant effects or represents a decision in principle about a future consideration." 40 CFR 1508.27(b)(6).

The cumulative impact analysis contained within the EA in this matter wholly fails to fulfill the requirements under NEPA, in that the analysis is approached largely in a vacuum, focusing on this single proposed well, and without fully fleshing out the significant, long-term, cumulative impacts that will arise if the area is developed in the manner planned by HEYCO, particularly with regard to habitat fragmentation and impacts to water resources. While the Application at issue is, indeed, only for a single well, because of the nature of the well (natural gas) and because information has already been placed in the record establishing long-term plans for large-scale development of this area by HEYCO, it would be unrealistic, as well as insufficient according to the recommendations contained within the above-referenced EPA publication and per the conclusions reached by the Ninth Circuit ruling, to evaluate the Application in terms of only this one well.

Moreover, the EA explicitly states that it "ties to" the RMPA/FEIS for Federal Fluid Minerals Leasing and Development in Sierra and Otero Counties ("RMPA"). As noted in the RMPA/FEIS at 4-64, Ch. 4, the RMPA relies upon a presumption that the mineral leasing and development in the two counties would entail three gas fields, each implementing 320-acre spacing and with total field coverage of six square miles, and that each gas field would further contain an oil field developed using 40-acre spacing. As is discussed in more detail further below, it is now known that this is not the nature of the development planned for this area, and thus reference to and reliance upon the cumulative impact analysis of the RMPA is no longer sufficient or appropriate. This is particularly so when viewed in conjunction with the conclusions outlined in the 2005 Record of Decision relating to the RMPA, noting that the BLM has an obligation to take into account such factors as natural resource concerns and ongoing exploration or development as it develops a lease strategy for the area, and that there is an overriding objective "to protect remnant Chihuahuan Desert grassland habitat and associated special status species of wildlife through improved planning of future oil and gas development on a unit." See *Record of Decision*, January 2005, at p. 11.

i) Issues of Fragmentation & Vegetation

Although it was apparently originally the intention of HEYCO to drill for and produce oil from this basin, the existing wells drilled by HEYCO have, instead, indicated that the area is more commercially viable for the production of natural gas. On this basis, HEYCO recently submitted an Application to the Oil Conservation Division (OCD), seeking to expand the Bennett Ranch Exploratory Unit Area from 8,856.90 acres to 11,637.09 acres. The OCD denied this Application; however, HEYCO has now sought *de novo* review before the Oil Conservation Commission, and is therefore still pursuing expansion of this unit.<sup>11</sup> According to HEYCO representatives testifying at the hearing on the matter, the expansion request was made to allow for a shift from the originally contemplated 40-acre spacing units for oil wells to 640-acre spacing-units for natural gas wells to be drilled in the unit. See *Reporter's Transcript of Proceedings, Examiner Hearing September 20, 2007* at p. 6:23 - 7:4 attached as Attachment A.

For purposes of the RMPA analysis, the BLM estimated that approximately 140 wells were likely to be drilled in the two-county area, with approximately 84 of those wells ultimately proving to be productive. The BLM estimated that the breakdown between productive oil and gas wells was likely to be roughly 30 gas to 60 oil. (See *January 5, 2004 News Release* and *RMPA/FEIS* at 4-52). Based upon the Application filed by HEYCO to expand its unit, and the hearing held on that matter, HEYCO plans to develop the unit extensively, plans to drill a large number of natural gas wells, and of significance, no longer plans to pursue recovery of oil on the unit. According to testimony provided by HEYCO representatives, HEYCO intends to implement (and has in fact already implemented for those wells already drilled) 640-acre spacing for the gas wells that are anticipated to be drilled on the unit, as opposed to the 320-acre spacing relied upon by the RMPA. Attachment A at 6:23 - 7:4. As noted by the OCD in its denial of HEYCO's application, "the switch from an oil target to natural gas objective means that miles of pipeline will need to be constructed to get the gas out of this basin." See *Order of Denial* at p. 3, attached as Attachment B. With well spacing being implemented at 640 acres per well, the installation of a pipeline connecting the producing wells and transporting the product out of the basin will be no small feat, and will result in *grass* fragmentation of the basin. Moreover, while this particular well, as proposed, might be in close enough proximity to an existing road such that no additional roads need be constructed at this time, with the extent of expansive development HEYCO plans for Otero Mesa, it is obvious that this will not be the case for all of the anticipated wells, and that a number of additional roads will therefore need to be constructed to enable crews and equipment to gain access to the various sites. This will only serve to compound the fragmentation of the area. This is clearly a situation where the total environmental impact has the potential to be "greater than the sum of the parts" as discussed in *Center for Biological Diversity*, (at 548).

The Chihuahuan Desert Grasslands is one of the three most species diverse arid regions in the world in terms of plants and animals, surpassing even the Sonoran Desert of Arizona and California. See *Excerpts from Transcript of Oil Conservation Commission Hearing regarding Application for Amendment to 19.15.1 NMAG, Case No. 13269, June 17, 2004*, attached as Attachment C at 216:3-10. The area has been ranked by the World Wildlife Fund as "globally outstanding for species richness" in the category of reptiles, birds, mammals and cacti. *Id.* at 302:14-17. Approximately 50-70% of these grasslands have already been replaced by shrub-lands, which are less species-diverse in nature. *Id.* at 216:16-21. The Otero Mesa area of grasslands represents a sizeable, intact piece of grassland. *Id.* at 217:22-25. The significance of preserving and protecting this type of uninterrupted expanse of grassland is to enable animal migration to continue to occur. *Id.* at 218:8-23.

The fragility of the grassland is at least in part due to the character of the topsoil. Redistributing the topsoil will result in the amalgamation of the soil horizon, and will render the environment much more hospitable to noxious, invasive weeds and "tap-rooted" plants than to the native grass species. *Id.* at 219:25 - 220:11. If the nature of the soils of these grasslands is changed, the recovery or "succession" of the area back to a grassland status is likely to be very slow - centuries long - or may not even occur at all. *Id.* at 224:15-22. The mixed, unconsolidated soil profile resulting from this topsoil disturbance cannot be considered a short-term impact to this arid, grassland ecosystem, and this stands in contradiction to the conclusion of the BLM under section 4.12.1 that "no long-term impact to vegetation is anticipated."

Even where operators are required to institute mitigation provisions for noxious weed prevention and reclamation, noxious weed infestation is very difficult to combat. A prime example of this is that during the summer of 2005, an EMNRD-Forestry Division botanist found a large, mature plant of African rue (*Peganum harmala*) growing in the well pad area of the Bennett Ranch 25 Unit #1 that had apparently been inadvertently introduced by the reclamation operations of the previous year. This discovery represented an incipient infestation of a noxious weed species. Thus far, the only location of this noxious weed, which is but one of several exotic plant species that threaten this region, is on the "reclaimed" area of the Bennett Ranch 25 Unit #1 well pad near the proposed well pad. As additional well pads are created and further soil disturbance occurs, additional opportunities will be created for this and other noxious weeds to invade and proliferate in the area. Pipeline and road construction and installation will only serve to exacerbate this problem.

In addition to the threat to the vegetation directly, a secondary threat is created with regard to the wildlife dependant upon that vegetation. In general, grassland bird species are declining in the U.S. due to a variety of factors, including habitat fragmentation. *Id.* at 305:11-20. The grasslands in Otero and Sierra Counties provide a habitat or potential habitat for a number of threatened or endangered species. *Id.* at 306:8-17. Every road and every well-pad will have a "zone of impact" associated with it that will effect the habitats of the species in the area. *Id.* at 313:9-10. Under NEPA, the BLM must consider the reasonably foreseeable wide-scale development of this area by multiple oil and gas operators, and must evaluate the "degree to which the action may establish a precedent for future actions with significant effects...." *Consideration of Cumulative Impacts* at p. 10, 40 CFR 1508.27(b)(6).

The drilling of numerous, widely-spaced wells and the installation of the pipeline connecting them, and all of the disruption that goes along with the construction and maintenance of those wells and the pipeline, will ultimately transform the basin into a giant checkerboard of fragmented parcels of grassland, forever destroying the uninterrupted expanse of rare Chihuahuan Desert grasslands. This scenario is even more concerning when one considers that HEYCO is but one operator (and the Bennett Unit is but one unit), and that HEYCO is likely to be the first of many operators to seek leave to explore and develop units in this fragile region.. The cumulative, negative impact of other operators on the ecology of these grasslands (particularly with regard to fragmentation and changing the nature of the native vegetation in the region) is likely to be exponential and must be taken into consideration.

As the BLM recognized in the RMPA to which the EA tiers, "in the long term, fragmentation alters the biodiversity of the landscape." *RMPA/REIS* at 4-33. The actual impacts of fragmentation of this type of rare expanse of grassland on plant and animal life are significant. As was noted by the New Mexico Department of Game and Fish in its 2005 publication *Habitat Fragmentation and the Effects of Roads on Wildlife and Habitats* (Mark L. Watson, Habitat Specialist), "[b]y far, the largest single threat to biological diversity worldwide is the outright destruction of habitat, along with habitat alteration and fragmentation of large habitats into smaller patches." *Emphasis Added.* (Citing Meffe, G.K., and C.R. Carroll and contributors, 1997, *Principles of Conservation Biology*, Second edition. Sinauer and Associates Inc., Sunderland, MA. 729 pp.).

"Habitat fragmentation creates landscapes made of altered habitats or developed areas fundamentally different from those shaped by natural disturbances that species have adapted to over evolutionary time." *Id.* The installation of roads is one way in which habitats are fragmented, creating these "altered habitats," dividing large patches of landscapes into smaller patches, and converting "interior" habitat areas into "edge" habitat areas - completely transforming the character of the habitat to which the plant and animal species had become adapted. *Id.* Further, "roads serve as a means of dispersal for many non-native invasive plant species, with seed or plant parts inadvertently transported into previously unaffected areas." See Paredes, L.A., and J.A. Jones, *Light Availability, Dispersal, and Exotic Plant Invasion Along Roads and Streams in the H.J. Andrews Experimental Forest*, Oregon Conservation Biology 14:64-75 (2000). This is of particular concern in the Chihuahuan Desert grasslands, which "comprise a small part of the Chihuahuan Desert but are vital to the biological diversity of the ecoregion." See M. Desmond, M. Atchley Montoya, *Status and Distribution of Chihuahuan Desert Grasslands in the United States and Mexico*, USDA Forest Service Proceedings RMRS-P-40. 2006. Otero Mesa's grasslands contain at least 13 different grass species, a number of which are either rare or found nowhere else. See W. Whitford, P.H.D. and K. Bixby, *The Last Desert Grasslands*, Southwest Environmental Center (2006). The biodiversity of the grasslands on Otero Mesa, coupled with the fact that it is one of the last expansive and largely uninterrupted tracts of its kind, render it unique. *Id.*

Despite all of the above, and despite the fact that the EA actually recognizes that "[t]he development of this tract would lead to the degradation/fragmentation and the possible reduction of local wildlife populations and their habitats due to the increase in activity associated with oil and gas operations," a conclusion is inexplicably reached that "[m]itigation is not required" with regard to wildlife. See EA at 4.14. The conclusion is wrong and underscores the need for a more complete analysis. Until such further study is conducted regarding the anticipated, cumulative oil and gas exploration activity in this area and the resultant cumulative impact upon the native species (both animal and plant), appropriate mitigation measures for the prevention of habitat fragmentation and the protection of native plant-life in this ecoregion cannot be created and/or implemented. The BLM should perform an updated, comprehensive EIS, complete with a full, cumulative impact analysis based upon the information that is now known regarding the anticipated development of this area, which has changed, in some ways significantly since the time at which the previous EIS relating to this area was conducted. Out of this new data, appropriate mitigation measures that correlate directly with the data collected and current information regarding oil and gas development of the area can then be created and implemented.

Given the fragility of this bio-diverse region, and the fact that the extent of the oil and gas resources is largely still unknown, EMNRD stands by its previous recommendations regarding oil and gas exploration of this region. As noted in the Energy, Minerals and Natural Resources Department Protest Letter of February 6, 2004 (regarding the proposed RMPA, at p. 5):

Given the lack of knowledge about the extent of [oil and gas] resources, the Bureau of Land Management should not open the entire area to oil and gas drilling ... [but instead] should consider the environmental effects that will occur if exploration and drilling is very successful and oil and gas lessees view more extensive development in the future as warranted; and should close or not lease sensitive areas such as the Otero and Nutt Mesa desert grasslands to surface occupancy.

Further, in the same letter (at p. 4), EMNRD raised the concern that the requirement that habitat areas be restored to their pre-project condition had been removed from the RMPA/FEIS, the removal of this condition leading to the conclusion that such restoration is not possible. For those habitats for which it is not possible to achieve restoration to pre-project condition, fluid mineral leasing should be prohibited so as to protect and preserve them.

Additionally, EMNRD supports the recommendation made by Governor Richardson (designated as "Stipulation 1. Timing of Operations") in his *Alternative to RMPA*. The Governor, noting that the region in question is an arid region, recognized the need for optimizing the conditions for site remediation and/or restoration for any disturbances in this region. Per the Governor's *Alternative to RMPA*, p. 35, Stipulation 1:

All drilling operations must be timed to (1) avoid surface disturbance during seasons of high wind, in order to minimize wind erosion, (2) avoid conducting operations during livestock/wildlife calving/lamming seasons, and (3) to the extent not incompatible with the foregoing objectives, arrange to conclude operations prior to anticipated moist seasons so that re-vegetation can begin promptly.

Governor Richardson further recommended that the "no surface occupancy" condition be imposed in certain regions of the Chihuahuan Desert grassland/Otero Mesa and the Nutt Grassland habitat areas, recognizing the "abundant historic cultural resources" and that these areas consist of "critical habitats" for certain grassland species, some of which are endangered. *Id.* at pp. 34-35. Such an approach, however, would require the consolidation of wells and the use of directional drilling in order to access the mineral resources below, an approach that the BLM discarded despite the fact that there is increasing support and data to indicate that directional drilling is not only feasible, but ultimately profitable. As noted in a 2003 publication addressing directional drilling:

Directional drilling has proven technically and economically feasible in a broad range of geologic settings, including tight gas, heavy oil, and coal bed methane. This method is proven to substantially increase producible reserves of oil and gas. Because the increased productivity of directional drilling compensates for the added costs, directional drilling is often more profitable than vertical drilling.

Malvar, E.M. 2003. *Drilling smarter: Using minimum-footprint directional drilling to reduce oil and gas impacts in the Intermountain West*. Laramie, WY: Biodiversity Conservation Alliance, 32 pp.: Again, further study is necessary regarding the terrain in this basin so that requirements for directional drilling can be appropriately established and implemented. EMNRD supports the Governor's recommendation regarding no surface occupancy in these regions, and encourages the BLM to implement conditions setting out requirements limiting surface disturbance and providing conditions for directional drilling.

## ii) Water

It is well established that there is a large fresh-water aquifer (the Salt Basin aquifer) located directly beneath and adjacent to Otero Mesa, within the area defined by the RMPA off of which the subject EA is purported to "tier." The Salt Basin covers approximately 2,400 square miles of south-central New Mexico and extends across the state line into Texas. See G.F. Huff & D.A. Chace, *Knowledge and Understanding of the Hydrogeology of the Salt Basin in South-Central New Mexico and Future Study Needs*. U.S. Dept. of Interior/U.S. Geological Survey, Open File report 2006-1358, 17 p. The aquifer contained within the Salt Basin is a large, fresh-water aquifer that is believed to contain approximately 15 million acre-feet in recoverable, potable, fresh ground-water, and in 2002 was described as one of the last untapped aquifers in New Mexico. See *Tularosa Basin and Salt Basin Regional Water Plan, May 2002*, prepared by Livingston Associates, P.C. in association with John Shomaker and Associates, Inc. At this time, two communities (Timberon and Pinon) have begun to use the Salt Basin Aquifer for municipal supply. Attachment C at 487:5.

A deep-seated fracture system known as the "Otero Break" exists in Otero County, which is an area of high-fracture density in the southern part of Otero Mesa (and extending into Texas). *Id.* at 494:25 - 495:21. An oil and gas well previously drilled along the Otero Break (20 miles south of the New Mexico/Texas border) found fresh water at 3,000 feet. *Id.* The Salt Basin in general, particularly the Otero Mesa area, is considered a "recharge area," whereby water is collected in the "Otero Break" and discharged down to the Salt Lakes south of Dell City in Texas. *Id.* at 496:5-10. The fractured nature of the rock in the Salt Basin and the lack of soil cover render the area particularly vulnerable to groundwater contamination. *Id.* at 499:18-23. Fracturing is a well-documented, driving force for the migration of surface spills. *Id.* at 501:4-7. The depth to groundwater is very variable, and can be less than 100 feet in some places. *Id.* at 501:3-4.

Despite the existence of the Salt Basin aquifer beneath Otero Mesa, the EA only discusses "useable groundwater" in very general terms in relation to the proposed oil and gas development of this area, and does not directly address the potential impact to or mitigation of contamination of the Salt Basin aquifer in the context of proposed oil and gas exploration.

The EA analysis concedes that there is potential for contamination of soils and ground water by such things as spillage and seepage of drilling fluids, salts and accidental spills of hydrocarbons, and further notes that the risk of such contamination would be even higher if earthen pits were used (if a Rule 21 waiver is granted by the OCD). Despite the conclusion that such risk of contamination is greater if earthen pits are used, the EA inexplicably appears to be drafted largely based upon a premise that the operator will obtain a waiver of Rule 21. The OCD has yet to grant such a waiver in this region, and there is no basis for the operator or the BLM to anticipate that such a waiver would be granted in this case. Relying on a presumption of a waiver being granted is therefore

inappropriate. Moreover, the "no pit" approach is simply more protective, and the BLM should require it as part of mitigation.

Further, the EA fails to go beyond the preliminary discussion of soil contamination and provide any substantive discussion regarding the unique geology of the basin – specifically the fractured, limestone character that renders the groundwater in the basin particularly vulnerable to contamination from surface disturbances. There are publications available for review, such as the 1995 and 1998 reports addressing the fractured limestone rock structure and the groundwater flows, and the Tularosa and Salt Basin Regional Water plan (draft issued in 2001), that would provide additional data for consideration regarding the geology and fragility of the basin in this regard, and for determination of what areas of the mesa (and aquifer) may be more vulnerable than others. Just as was the case with the RMPA, the BLM did not appear to review or consider these available publications in its analysis here, when preparing the EA for this unit.

The data available suggests that because of the porous and fractured nature of the rock in Otero Mesa, contaminants are able to move from the surface and travel to the groundwater in a much more "efficient" manner than in a less porous environment. See Steven T. Finch, Jr., CPG, *Evaluation of Potential Water-resource Impacts from BLM Proposed Resource Management Plan Amendment for Federal Fluid Minerals Leasing and Development in the Salt Basin, New Mexico* (February 6, 2004). In fact, the data indicates that if a contaminant gains access to a fracture in the rock, it can travel as quickly as 1,000 feet in a day. *Id.*

The recent geological survey conducted by the Department of the Interior discussed the vulnerability of the aquifer to the introduction and rapid movement of contaminants and recognized that "a better understanding of the hydrologic nature of the Salt Basin...will aid in...assessing areas of the carbonate aquifer that may be vulnerable to the rapid spread of subsurface contaminants." See Huff & Chace at p. 14. The authors of the survey further stated that "[t]he responsible development and management of ground-water resources in the Salt Basin require a comprehensive understanding of the hydrogeologic system," and note that while much has been done to investigate the basin, the data is still incomplete. *Id.* at p. 13. For example, the water-level data for the aquifer is not yet complete, and further study is needed to define depth-to-water and gain a more complete understanding of the groundwater elevation. There is evidence that some of the ground water in the basin is shallow, which would make it especially vulnerable to contamination from surface disturbances due to oil and gas exploration.

Given the amount of oil and gas development that is being planned for this geographic area, and the amount of disturbance that the proposed development would entail, the movement of surface contaminants to the aquifer below is a significant concern, and warrants additional investigation and evaluation. As the New Mexico Environment Department concluded in its 2000 publication, *Ground-water Contamination and Remediation in New Mexico: 1997-2000*, "[p]revention of ground-water pollution is always more cost effective and technically achievable than remediation."

The cause for concern regarding the water resources in Otero Mesa, and the need for further study of the basin is exemplified by the significant problems that were encountered by HEYCO as it began the exploratory drilling on the Bennett Ranch lease. Upon beginning to drill on Otero Mesa, HEYCO discovered that areas of the unit have gas and water in close proximity. In fact, the first well attempted by HEYCO failed because it encountered "a lot of water," which caused the shale in the area to swell, resulting in loss of the hole at about 2,400 feet. As a result of that experience, HEYCO tried different approaches to "control the shales" as it drilled the other two wells by implementing such methods as the use of "a high concentration of KCL." HEYCO drilled each of the wells to the lower Paleozoic section using air, and then switched to a fluid system using what was described as a "cut brine." Attachment A at 24:6-19.

Despite the data suggesting that this area is highly fractured, geologically unique, highly variable regarding depth to water and generally not yet fully studied and understood, the EA fails to recommend the institution of adequate mitigation measures in dealing with hazardous or solid wastes, or for the protection of groundwater, generally. Regarding wastes, the EA simply states that there are other environmental regulations in place that serve to ensure adequate procedures for the safe handling and disposal of drilling fluids, saline water and the like, and states that, therefore, "mitigation is not required." Given what is known about the fractured and vulnerable nature of this basin, and the speed with which contaminants can move through this kind of rock to the groundwater below, it seems clear that at the least, further inquiry and study is necessary before a conclusion that "no mitigation is required" can be reached.

The analysis and provisions for "mitigation" with regard to groundwater are particularly troublesome. The EA provides that the surface or intermediate casing should be set "below the last known useable water" and that the casing should be cemented to the surface to reduce or eliminate the potential for contamination. The EA further states that "[b]ased on the best available data derived from local water wells" the BLM will require operators to set casings to a depth of at least 900 feet to protect useable groundwater. As has become abundantly clear from the studies that have been conducted to date on this region, the depth to groundwater is extremely variable and determining the depth of the "last known useable water" at a particular location is not a simple undertaking and requires extreme care. Second, for the wells that have already been drilled or attempted to be drilled in this region, there has been considerable difficulty cementing the casing all the way to the surface due to the unique nature of the area and unexpectedly encountering water. See Attachment A, at 21:22 - 23:7, generally, regarding HEYCO'S problems setting casings, getting casing stuck, and uncertainty regarding whether ultimately able to run cement to surface). The imposition of conditions requiring operators to plan ahead so as to be better able to address and prepare for these kinds of situations is a necessity for drilling in this environment.

Finally, the BLM's use of the depth provided by the "best available data" as noted in the EA is an error, given that it is known that fresh water was encountered in the Otero Break region (just south of the New Mexico/Texas border) at 3,000 feet, and that HEYCO (the applicant in this matter) recently encountered water at approximately 2,400 feet (and ultimately "lost the hole" as a result) as it was drilling a well in this same geographic region. Further, as was noted in the *Governor's Reply to the BLM Addressing his Appeal Regarding Otero Mesa*, a sundry notice filed with the OCD for the subject area "identified possible water zones at 385, 525, 870 and 2520 feet." (at p.14). The mitigation proposed by the EA simply will not adequately protect groundwater in this region.

Unless and until further study and survey of the area is conducted, allowing for a better understanding of what areas are particularly porous and "vulnerable," and providing more substantive data regarding the range of depths to groundwater, promulgating and implementing specific mitigation plans will not be possible. As was previously recommended by the EMNRD in its Letter of February 6, 2004, protesting the RMPA/FEIS:

- ...the Bureau of Land Management should conduct a full hydrogeologic analysis before determining those areas to be open for leasing. In addition, the Bureau of Land Management should require specific protections to prevent groundwater contamination such as:
- Special stipulations for wellhead protection areas, watershed areas and areas identified in the draft RMPA/EIS as public water reserves;
- The prohibition of use of open pits and requirement of tank storage of generated fluids; and
- A prohibition of surface disturbance within 200 meters of the outer edge of floodplains, flowing water or standing water.

Finally, at a minimum, a requirement should be imposed mandating that the water-protection string be long enough to be cemented below any usable water in the specific location being accessed, and the production string should then be tied back into the water-protection string. Cementing to the surface should be required for all wells drilled in this region.

#### • POTENTIAL IMPACT OF ONGOING LITIGATION

In addition to the incongruity caused by the fact that the presumptions and data relied upon by the RMPA to which this EA tiers is now outdated and, in some respects, no longer applicable, there are other issues worth noting relating to the EA's reliance upon the RMPA. Although the EA repeatedly notes that the analysis contained therein "tiers to and incorporates by reference the information and analysis contained in the Proposed Resource Management Plan Amendment/Final Environmental Impact Statement (RMPA/FEIS) for Federal Fluid Minerals Leasing and Development in Sierra and Otero Counties, December 2003." (EA at p. 1, Sect. 1.0), nowhere in the EA does the BLM note or address the fact that the referenced RMPA/FEIS is currently on appeal to the 10<sup>th</sup> Circuit.

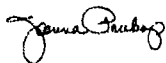
If, indeed, the EA does "tier to and incorporate by reference" the RMPA/FEIS, and the State prevails in its appeal to the 10<sup>th</sup> Circuit regarding the referenced RMPA/FEIS, this would invalidate the EA. Conversely, according to the language of the RMPA, only new leases are subject to its provisions. The current proposal relates to an existing lease, which was not subject to the provisions of the RMPA requiring significant NEPA evaluation at the leasing stage. Therefore, the EA relating to this proposed well cannot possibly "tier to" the RMPA as is stated in the language of the EA. The EA was incorrectly constructed in this regard.

#### • CONCLUSION

For all of the reasons outlined above, it is clear that the cumulative impacts of anticipated oil and gas development in the Bennett Ranch area of Otero Mesa are likely to be significant, and it is incumbent upon the BLM to prepare an Environmental Impact Statement to address the environmental impacts of such development, including all wells, roads, pipelines and other facilities that are reasonably foreseeable. See, e.g., *Davis v. Mineta*, 302 F.3d 1104 (10<sup>th</sup> Cir. 2002).

EMNRD appreciates the opportunity to provide comment regarding the Bennett Ranch Unit #6 EA, and encourages the BLM to seriously consider the opinions and recommendations contained herein. Please do not hesitate to contact us should you require any further information from EMNRD, or should questions regarding our recommendations arise.

Sincerely,



Joanna Prukop  
Cabinet Secretary  
New Mexico Energy, Minerals & Natural Resources Department