

**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. 14199
ORDER NO. R-13102**

**APPLICATION OF DAN A. HUGHES COMPANY, L.P. FOR APPROVAL OF A
UNIT AGREEMENT, HIDALGO COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on December 4, 2008, at Santa Fe, New Mexico, before Examiners William V. Jones and David K. Brooks.

NOW, on this 18th day of March, 2009, 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 North Big Hatchet Exploratory Unit Agreement for all oil and gas in all formations underlying the following-described 39,667.69 acres, more or less, of state and fee lands in Hidalgo County, New Mexico:

Township 30 South, Range 16 West, N.M.P.M.

Section 6:	All
Section 7:	E/2, SW/4
Sections 8 and 9:	All
Section 17:	All
Section 18:	N/2, SW/4
Section 19:	All
Section 21:	All
Sections 28 and 29:	All
Section 30:	SW/4 SW/4
Section 31:	S/2 SE/4

Section 34: W/2

Township 30 South, Range 17 West, N.M.P.M.

Section 1:	E/2, S/2 SW/4, NE/4 SW/4
Sections 2 and 3:	All
Sections 10 through 12:	All
Section 13:	W/2
Sections 14 and 15:	All
Sections 22 and 23:	All
Section 24:	S/2, NW/4
Sections 25 through 27:	All
Sections 34 through 36:	All

Township 31 South, Range 16 West, N.M.P.M.

Sections 3 through 10:	All
Sections 15 and 16:	All
Section 17:	E/2 NW/4
Sections 18 through 22:	All
Section 29:	All
Section 30:	SW/4
Section 31:	W/2
Section 32:	All

Township 31 South, Range 17 West, N.M.P.M.

Sections 1 and 2:	All
Sections 10 through 15:	All
Sections 22 through 26:	All
Section 27:	N/2
Section 34:	N/2
Sections 35 and 36:	All

Township 32 South, Range 16 West, N.M.P.M.

Section 6:	NW/4
------------	------

Township 32 South, Range 17 West, N.M.P.M.

Section 1:	NE/4 NE/4
Section 2:	All
Section 3:	NE/4 NE/4

(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 pursuant to the Unit Plan.

- (b) The unit covers an area within the Pedregosa Basin that can be reasonably developed under a unit plan.
- (c) The primary target within this unit area is natural gas from the organic rich, Devonian aged Percha Shale formation. However, all formations will be evaluated from surface down to the basement, and if the initial well is successful, additional wells will be drilled in the unit area.
- (d) The Commissioner of Public lands has given preliminary approval for the proposed Unit. The entire royalty acreage within this Unit is State of New Mexico lands except for an 1120-acre fee tract. All minerals within the Unit are leased. All of the working interests and all of the royalty interests are committed to this Unit. Within the outline of the unit boundary are many federally owned, uncommitted tracts.
- (e) Pacific Western Land Company owns a majority of the surface acreage within the unit boundary. The remainder of surface acreage is state and federal. The operator has a surface use agreement in place.
- (f) The initial test well will be drilled to an approximate depth of 6600 feet at a standard well location 2100 feet from the South line and 1400 feet from the East line of Section 14, Township 30 South, Range 17 West, NMPM, Hidalgo County, New Mexico.
- (4) No other parties entered an appearance in this case 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, drilling applications should be individually reviewed to ensure wells are drilled in order to detect and protect fresh waters encountered at any depth. The Division should have the option of requiring notice and public hearing prior to approval of 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 North Big Hatchet Exploratory Unit Agreement is hereby approved for all oil and gas in all formations underlying the following-described 39,667.69 acres, more or less, of state and fee lands situated in Hidalgo County, New Mexico:

Township 30 South, Range 16 West, N.M.P.M.

Section 6:	All
Section 7:	E/2, SW/4
Sections 8 and 9:	All
Section 17:	All
Section 18:	N/2, SW/4
Section 19:	All
Section 21:	All
Sections 28 and 29:	All
Section 30:	SW/4 SW/4
Section 31:	S/2 SE/4
Section 34:	W/2

Township 30 South, Range 17 West, N.M.P.M.

Section 1:	E/2, S/2 SW/4, NE/4 SW/4
Sections 2 and 3:	All
Sections 10 through 12:	All
Section 13:	W/2
Sections 14 and 15:	All
Sections 22 and 23:	All
Section 24:	S/2, NW/4
Sections 25 through 27:	All
Sections 34 through 36:	All

Township 31 South, Range 16 West, N.M.P.M.

Sections 3 through 10:	All
Sections 15 and 16:	All
Section 17:	E/2 NW/4
Sections 18 through 22:	All
Section 29:	All
Section 30:	SW/4
Section 31:	W/2
Section 32:	All

Township 31 South, Range 17 West, N.M.P.M.

Sections 1 and 2:	All
Sections 10 through 15:	All
Sections 22 through 26:	All
Section 27:	N/2
Section 34:	N/2
Sections 35 and 36:	All

Township 32 South, Range 16 West, N.M.P.M.

Section 6:	NW/4
------------	------

Township 32 South, Range 17 West, N.M.P.M.

Section 1:	NE/4 NE/4
Section 2:	All
Section 3:	NE/4 NE/4

(2) The plan contained in the North Big Hatchet 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 there from.

(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.

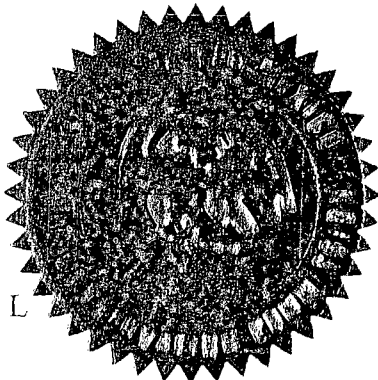
(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(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, drilling applications shall be individually reviewed to ensure wells are drilled in order to detect and protect fresh waters encountered at any depth. The Division shall have the option of requiring notice and public hearing prior to approval of 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director