

3. The W/2 of said Section 34 is dedicated to the Maxus "B" 8026 JV-P Well No. 2 located 990 feet from the South line and 1980 feet from the West line (Unit N) and produces from the Antelope Ridge-Atoka Gas Pool.

4. Section 34 and the wells located thereon have been the subject of Division Order Nos. R-9009, dated October 3, 1989, and R-9009-A, dated February 21, 1992. Copies of these orders are attached to this Affidavit as Exhibits A and B.

5. Order No. R-9009 contains a provision whereby the Maxus "B" 8026 JV-P Well No. 2 was to be plugged and abandoned at such time as the Maxus "B" 8026 JV-P Well No. 3 was placed on production (Decretory Paragraph 3). However, the Division subsequently placed this provision in "abeyance until further notice" (Order No. R-9009-A, Decretory paragraph 5).

6. In December 1991, BTA filed an application seeking an exception to Division Rule 104.C(2) to permit it to simultaneously dedicate the S/2 of said Section 34 to the Maxus "B" 8026 JV-P Well Nos 1 and 2 and to continuously and concurrently produce both wells.

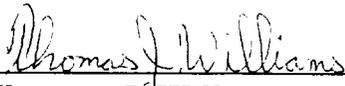
7. On February 21, 1992, the Division entered Order No. R-9009-A which denied the application of BTA to continuously and concurrently produce the Maxus "B" 8026 Well Nos. 1 and 2 but authorized the BTA to alternately produce these wells with one well shut-in while the other produces.

8. On November 18, 1992, the Division adopted Administrative Amendments to Division Order Nos. R-9009 and R-9009-A which, among other effects, reoriented the spacing units to E/2 and W/2 units and placed both Order Nos. R-9009 and R-9009-A in abeyance. A copy of the Division's November 18, 1992, Administrative Amendments to Division Order Nos. R-9009 and R-9009-A, is attached to this Affidavit as Exhibit C.

9. By Order No. R-11231 dated August 12, 1999, the Oil Conservation Commission amended its Rule 104 to authorize a second well on each 320-acre spacing and proration unit as long as the wells are in different quarter sections of the dedicated 320-acre unit. BTA has been advised that this amendment to the General Rules and Regulations of the Division does not override orders of the Division which apply to specific wells and pools.

10. The Maxus "B" 8026 JV-P Well Nos 1, 2 and 3 meet the requirements of Division Rule 104 as amended by Order No. R-11231. However, for these wells to be able to produce pursuant to the General Rules and Regulations of the Oil Conservation Division, Order No. R-9009 and Order No. R-9009-A must be rescinded.

11. Therefore, BTA has filed its application seeking the rescission of Oil Conservation Division Order Nos. R-9009 and R-9009-A, and respectfully requests that the Division rescind Order Nos. R-9009 and R-9009A.



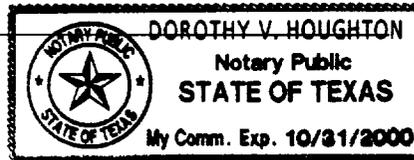
Thomas J. Williams

SUBSCRIBED AND SWORN to before me this 19th day of October, 1999, by Tom Williams.



Notary Public

My Commission Expires:



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. 9755
ORDER NO. R-9009

APPLICATION OF BTA OIL PRODUCERS
FOR AN UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 6, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 3rd day of October, 1989, 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) The applicant in this matter, BTA Oil Producers, is the owner and operator of the only two wells presently developing Section 34, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico. Maxus "B" 8026 "JV-P" Well Nos. 1 and 2, located in Units P and N, respectively. The No. 1 well was originally drilled at an unorthodox gas well location 660 feet from the South and East lines of said Section 34 to test the Antelope Ridge-Atoka Gas Pool, the S/2 of said Section 34 being dedicated to the well forming a standard 320-acre gas spacing and proration unit, was approved by Division Order No. R-8331, dated November 4, 1986. On March 13, 1987, this order was amended by Division Order No. R-8331-A to include the Undesignated Antelope Ridge-Morrow Gas Pool. By letter from the Director of the Oil Conservation Division dated April 15, 1987, authorization was given to rededicate the E/2 of said Section 34 to the No. 1 well in both the Atoka and Morrow zones. The No. 2 well was also drilled at an unorthodox gas well location 990 feet from the South line and 1980 feet from the West line and was approved by Division Administrative Order No. NSL-2381 dated August 24, 1987, the W/2 of said Section 34 being dedicated to said well forming a standard 320-acre gas spacing and proration unit.

(3) The applicant now seeks approval of an unorthodox gas well location for its Maxus "B" 8026 JV-P Well No. 3 to be drilled 660 feet from the North line and 1650 feet from the East line (Unit B) of Section 34, Township 22 South, Range 34 East, NMPM, to test the Antelope Ridge-Atoka Gas Pool and the Antelope Ridge-Morrow Gas Pool, Lea County, New Mexico.

(4) Further the applicant proposes to redesignate the proration units in said Section 34 in both the Antelope Ridge-Atoka and Antelope Ridge-Morrow Gas Pools from E/2 and W/2 dedications to N/2 and S/2 dedications, whereby the N/2 would be dedicated to the proposed Maxus "B" 8026 JV-P Well No. 3 and the S/2 would be dedicated to just the Maxus "B" 8026 JV-P Well No. 1. The Maxus "B" 8026 JV-P Well No. 2 will, upon completion of the No. 3 well, be plugged and abandoned in the Atoka and Morrow zones.

(5) The applicant presented geologic evidence and testimony which indicates that a well drilled at the proposed unorthodox location will penetrate the Atoka and Morrow formations at a more structurally advantageous position than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial production.

(6) No offset operator appeared at the hearing in opposition to the application.

(7) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pools, will 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 will otherwise prevent waste and protect correlative rights.

(8) This order should not be made effective until such time as the Maxus "B" 8026 JV-P Well No. 3 is placed on production.

IT IS THEREFORE ORDERED THAT:

(1) The application of BTA Oil Producers for an unorthodox gas well location for the Antelope Ridge-Atoka Gas Pool and the Antelope Ridge-Morrow Gas Pool is hereby approved for its Maxus "B" 8026 JV-P Well No. 3 to be located at a point 660 feet from the North line and 1650 feet from the East line of Section 34, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico.

(2) The N/2 of said Section 34 shall be dedicated to the Maxus "B" 8026 JV-P Well No. 3 forming a standard gas spacing and proration unit for said pools.

(3) The S/2 of said Section 34 shall be rededicated in both the Atoka and Morrow zones to the Maxus "B" 8026 JV-P Well No. 1 located at a previously approved unorthodox gas well location 660 feet from the South and East lines (Unit P) of said Section 34.

Case No. 9755
Order No. R-9009
Page No. 3

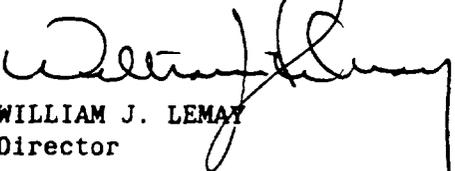
(4) Division Administrative Order No. NSL-2381 and the letter from the Director of the Oil Conservation Division dated April 15, 1989 concerning this matter are hereby placed in abeyance until further notice.

(5) This order shall not be made effective until such time as the Maxus "B" 8026 JV-P Well No. 3 is placed on production, also at such time the Maxus "B" 8026 JV-P Well No. 2 located 990 feet from the South line and 1980 feet from the West line (Unit N) of said Section 34 shall be plugged and abandoned in the Atoka and Morrow formations.

(6) Jurisdiction of this cause 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
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

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. 10426
ORDER NO. R-9009-A

APPLICATION OF BTA OIL PRODUCERS
FOR SIMULTANEOUS DEDICATION AND TO
AMEND DIVISION ORDER NO. R-9009, LEA
COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 19, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of February, 1992 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) The applicant in this matter, BTA Oil Producers, is currently developing the Antelope Ridge-Atoka Gas Pool underlying Section 34, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, in the current manner and in accordance with the provisions of Division Order No. R-9009, dated October 3, 1989:

the N/2 of said Section 34 comprising 320 acres is dedicated to the Maxus "B" 8026 JV-P Well No. 3, located at an unorthodox gas well location 660 feet from the North line and 1650 feet from the East line (Unit B). This well was drilled and completed in the last quarter of 1989. On January 4, 1990 this well began producing gas from the Antelope Ridge-Atoka Gas Pool;

the S/2 of said Section 34, comprising 320 acres, is dedicated to the Maxus "B" 8026 JV-P Well No. 1, located at an unorthodox gas well location 660 feet from the South and East lines (Unit P). This well was drilled in the first quarter of 1987 by Maxus Exploration Company. In September 1987, this well was dually completed in both the Antelope Ridge-Atoka and Antelope Ridge-Morrow Gas Pools. On December 1, 1987, this well began producing from both intervals.

(3) The BTA Oil Producers' Maxus "B" 8026 JV-P Well No. 2, located 990 feet from the South line and 1980 feet from the West line (Unit N) of said Section 34 has been "shut-in" since 11:00 am on January 4, 1990. Said Well No. 2 was originally drilled by Maxus Exploration Company in the first quarter of 1987. In January 1987, this well was completed in the Antelope Ridge-Atoka Gas Pool, and first delivery occurred on February 12, 1988. Said Division Order No. R-9009 contained provisions whereby the No. 2 well would be plugged and abandoned at such time as the No. 3 well was placed on production (January 4, 1990). A reprieve from the plugging requirements was granted BTA Oil Producers by the Division whereby the No. 2 well could be temporarily abandoned and still satisfy the provisions of Decretory Paragraph No. (5) of said Order No. R-9009.

(4) At this time, BTA Oil Producers seeks an exception to Division General Rule 104.C(2) to allow for the simultaneous dedication of the existing 320-acre gas spacing and proration unit within the Antelope Ridge-Atoka Gas Pool, comprising the S/2 of said Section 34 to both the aforementioned Well Nos. 1 and 2. A concurrent request is being sought to amend said Order No. R-9009 whereby the No. 2 well would be allowed to produce Atoka Gas at a restricted flow not to exceed 500 MCF per day in any one month period (15,000 MCF per month).

(5) The Antelope Ridge-Atoka Gas Pool is at this time considered an "unprorated gas pool" and therefore is not governed by the General Rules for the Prorated Gas Pools of New Mexico, as promulgated by Division Order No. R-8170, as amended.

(6) The spacing requirements provided in Division Statewide Rule 104.C(2)(b) would therefore apply in this particular situation. Specifically that which states:

"Unless otherwise provided in special pool rules, each development well for a defined gas pool..., shall be located on a designated drilling tract..."

(7) Two separate memorandums issued by the Division Director on July 22, 1988 and August 3, 1990 set forth officially the Division's interpretation and policy for those instances, such as this case, where an applicant is requesting an additional well on an existing non-prorated gas spacing unit. The Division's conclusions were as follows:

"Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and shut-in schedules and reasons for the request."

(8) BTA Oil Producers failed in this case to adequately show that its correlative rights would be impaired unless both the Maxus "B" 8026 JV-P Well Nos. 1 and 2 were allowed to produce continuously and concurrently, even at the proposed restricted flow rate for the No. 2 well.

(9) The applicant further indicated at the time of the hearing that both wells producing alternately could recover all of the gas to which BTA is entitled under the S/2 of said Section 34.

(10) The applicant's request to continuously and concurrently produce Atoka gas from both the Maxus "B" 8026 JV-P Well Nos. 1 and 2 within the 320-acre gas spacing and proration unit comprising the S/2 of said Section 34 should be *denied*; however, nothing contained herein should be construed as prohibiting the applicant from producing Atoka gas from both wells alternately (one well shut-in while the other produces). Such producing/shut-in cycle length should be administratively set by the Division Director, but should not be less than a one month period.

(11) Because both wells will not be permitted to produce simultaneously under this order, the well which is producing at any given time should not be subject to a restricted producing rate.

IT IS THEREFORE ORDERED THAT:

(1) The subject application of BTA Oil Producers for an exception to Division General Rule 104.C(2) and to amend Division Order no. R-9009, dated October 3, 1989, to allow for the simultaneous dedication of the existing 320-acre gas spacing and proration unit within the Antelope Ridge-Atoka Gas Pool, comprising the S/2 of Section 34, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, to both its Maxus "B" 8026 JV-P Well Nos. 1 and 2, located respectively in Units P and N of said Section 34, is hereby granted conditional approval;

WHEREBY the applicant is permitted to produce Atoka gas from both wells alternately (one well shut-in while the other produces). Said production/shut-in cycle period for both wells may be established by the Division Director after administrative request by the applicant; however, such period shall not be for less than one month.

(2) The applicant's request to continuously and concurrently produce Antelope Ridge-Atoka Gas Pool production in the S/2 of said Section 34 from both of said wells is hereby *denied*.

(3) The applicant's proposal to restrict gas production from the Maxus "B" 8026 JV-P Well No. 2 at a maximum flow rate not to exceed 500 MCF per day is *dismissed*.

(4) Either well when producing shall be allowed to flow at an unrestricted rate.

(5) Decretory Paragraph No. (5) on page 3 of Division Order No. R-9009, dated October 3, 1989, is hereby placed in abeyance until further notice.

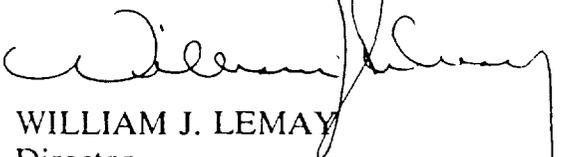
(6) All other provisions of Division Order No. R-9009 shall remain in full force and effect.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 10426
Order No. R-9009-A
Page No. 5

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "William J. Lemay", is written over the printed name. The signature is fluid and cursive, with a long vertical line extending downwards from the end of the name.

WILLIAM J. LEMAY
Director

S E A L



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



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

November 18, 1992

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5900

BTA Oil Producers
104 South Pecos
Midland, TX 79701

Attention: Dorothy Houghton

*RE: Application for reorientation of dedicated acreage.
Antelope Ridge-Atoka/Antelope Ridge-Morrow Gas Pools,
Maxus "B" Lease, Section 34, Township 22 South, Range
34 East, NMPM, Lea County, New Mexico.*

*Administrative Amendments to Division
Order Nos. R-9009 and R-9009-A*

Dear Ms. Houghton:

The aforementioned area is currently governed under the provisions of Division Order Nos. R-9009 and R-9009-A, which authorized the N/2 of the section to be dedicated in both the Atoka and Morrow intervals to the Maxus "B" Well No. 3 located in Unit B (currently said well is completed in the Atoka formation). Also, the Morrow interval in the S/2 of the section is dedicated to the Maxus "B" Well No. 1 located in Unit P. The Atoka interval in the S/2 of the section (under full authority of R-9009-A) is simultaneously dedicated, with certain conditions, to both the Maxus "B" Well No. 1 in Unit P and the Maxus "B" Well No. 2 in Unit N (the No. 1 well is currently dually completed and the No. 2 well is completed, but shut-in, in the Atoka zone only).

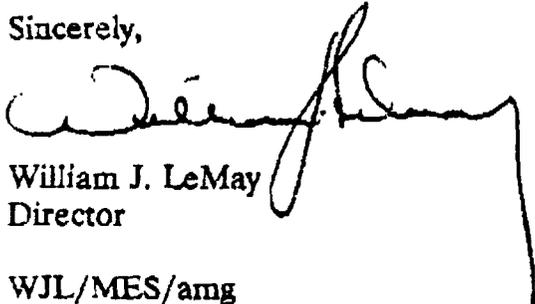
It is our understanding that the Maxus "B" Well No. 3 is to be shut-in at this time and the No. 2 well is to be "turned on." Such reorientation would essentially allow both spacing units in the Atoka, and if desired, the Morrow interval in the E/2 and W/2 to produce without interruption. Since this request promotes conservation measures and the applicant has notified all offset operators since all the wells have had unorthodox well location exceptions at one time or another, your request to rededicate the E/2 of said Section 34 to the Maxus "B" Well No. 1 and the W/2 of said Section 34 to the Maxus "B" Well No. 2 is hereby approved.

Exhibit C

BTA Oil Producers
Attention: Dorothy Houghton
November 18, 1992
Page 2

If at any time the No. 3 well should be placed on production in either the Atoka or Morrow intervals, this office should also be contacted and any such approvals under the rules of the Division be applied. Further, Division Order Nos. R-9009 and R-9009-A shall be placed in abeyance until further notice.

Sincerely,



William J. LeMay
Director

WJL/MES/amg

xc: Oil Conservation Division - Hobbs
US Bureau of Land Management - Carlsbad
File: Case No. 9755
Case No. 10426
Maxus "B" Well Nos. 1, 2 and 3 (Santa Fe well files)