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JAN 14 2002

January 11, 2002

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Case 12782 (Kerr-McGee Oil & Gas Onshore LLC)

Dear Mr. Catanach:

Enclosed is a proposed order in the above case. The order is also on the enclosed disk.

Very truly yours,



James Bruce

Attorney for Kerr-McGee
Oil & Gas Onshore LLC

cc: Steve Foerster w/encl.
Michael Feldewert w/encl.

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~~8-14~~

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

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

Case No. 12782
Order No. R-9922-E

APPLICATION OF KERR-MCGEE OIL & GAS
ONSHORE LLC TO EXPAND THE INDIAN
BASIN-UPPER PENNSYLVANIAN ASSOCIATED
POOL AND CONCOMITANTLY TO CONTRACT THE
INDIAN BASIN-UPPER PENNSYLVANIAN GAS
POOL, AND FOR APPROVAL OF FOUR NON-
STANDARD GAS PRORATION UNITS, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 20, 2001 at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this _____ day of January, 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 Indian Basin-Upper Pennsylvanian Gas Pool (the "Gas Pool") is a prorated gas pool currently governed by the *"General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool,"* as promulgated by Division Order No. R-8170, as amended, which require standard 640-acre spacing and proration units ("GPU's"), with wells to be located no closer than 1650 feet to the outer boundary of the GPU nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary. The current gas allowable for the Gas Pool is approximately 6.5 MMCFG/day per GPU.

(3) The Gas Pool currently comprises the following described area in Eddy County, New Mexico:

Township 21 South, Range 23 East, N.M.P.M.

Section 3:	W $\frac{1}{2}$
Section 4:	All
Section 8:	All
Section 9:	All
Section 10:	W $\frac{1}{2}$
Section 15:	W $\frac{1}{2}$
Sections 16-30:	All
Sections 32-35:	All
Section 36:	W $\frac{1}{2}$

Township 21 South, Range 24 East, N.M.P.M.

Section 19:	All
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Township 22 South, Range 23 East, N.M.P.M.

Section 1:	W $\frac{1}{2}$
Sections 2-5:	All
Sections 8-11:	All
Section 12:	W $\frac{1}{2}$
Section 13:	W $\frac{1}{2}$
Sections 14-17:	All
Section 21:	N $\frac{1}{2}$ and N $\frac{1}{2}$ N $\frac{1}{2}$ N $\frac{1}{2}$ S $\frac{1}{2}$
Section 22:	All

(4) The Indian Basin-Upper Pennsylvanian Associated Pool (the "Associated Pool") is currently governed by the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*," as promulgated by Division Order No. R-9922, as amended, which require standard 320-acre oil and gas spacing units, with wells to be located no closer than 660 feet to the outer boundary of a proration unit nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary, with no more than one well per 80-acre tract to be drilled or produced on a standard proration unit. The special depth bracket allowable for the Associated Pool is 1400 barrels of oil per day. The limiting gas:oil ratio for the Associated Pool is 7000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 9.8 MMCFG/day per proration unit.

(5) The Associated Pool currently comprises the following described area in Eddy County, New Mexico:

Township 21 South, Range 23 East, N.M.P.M.

Section 36:	E $\frac{1}{2}$
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Township 21 South, Range 24 East, N.M.P.M.

Section 20:	All
Section 21:	All
Section 27:	S $\frac{1}{2}$

Sections 28-34: All

Township 22 South, Range 23 East, N.M.P.M.

Section 1: E½

Section 12: E½

Section 13: E½

Township 22 South, Range 24 East, N.M.P.M.

Sections 2-10: All

Section 11: N½

Sections 16-18: All

(6) The applicant, Kerr-McGee Oil & Gas Onshore LLC, seeks an order expanding the Associated Pool to include the following lands (the "Extension Area") in Eddy County, New Mexico:

Township 21 South, Range 23 East, N.M.P.M.

Section 25: All

Section 35: E½

Section 36: W½

Township 21 South, Range 24 East, N.M.P.M.

Section 19: All

Township 22 South, Range 23 East, N.M.P.M.

Section 1: W½

Section 2: E½

Section 11: E½

Section 12: W½

Section 13: W½

Section 14: E½

Concomitantly, the applicant seeks the contraction of the Gas Pool by deleting therefrom the above-described lands.

(7) In conjunction with the proposed adjustment to the boundaries of the subject pools, the applicant seeks to establish the following four non-standard GPU's in the Gas Pool in Eddy County, New Mexico:

- (a) the W½ of Section 35, Township 21 South, Range 23 East, N.M.P.M., comprising 320 acres, more or less, which is to be simultaneously dedicated to the existing (i) Federal "C" 35 Well No. 1 (API No. 30-015-10403), located 1650 feet from the north and west lines (Unit F) of Section 35, and (ii) Federal "C" 35 Well No. 2 (API No. 30-015-27629), located 800 feet from the south and west lines (Unit M) of Section 35;

- (b) Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$ (the W $\frac{1}{2}$ equivalent) of Section 2, Township 22 South, Range 23 East, N.M.P.M., comprising 337.47 acres, more or less, which is to be simultaneously dedicated to the existing (i) Conoco State Well No. 4 (API No. 30-015-30621), located 1900 feet from the south line and 1750 feet from the west line (Unit K) of Section 2, and (ii) Conoco State Well No. 7 (API No. 30-015-30875), located 1706 feet from the north line and 1828 feet from the west line (Unit F) of Section 2;
- (c) the W $\frac{1}{2}$ of Section 11, Township 22 South, Range 23 East, N.M.P.M., comprising 320 acres, more or less, which is to be simultaneously dedicated to the existing (i) Smith Federal Well No. 1 (API No. 30-015-10567), located 1650 feet from the north and west lines (Unit F) of Section 11, and (ii) Smith Federal Well No. 2 (API No. 30-015-29789), located 1465 feet from the south line and 800 feet from the west line (Unit L) of Section 11; and
- (d) the W $\frac{1}{2}$ of Section 14, Township 22 South, Range 23 East, N.M.P.M., comprising 320 acres, more or less, which is to be dedicated to the existing Federal IBB Gas Com. Well No. 1 (API No. 30-015-10744), located 1650 feet from the north and west lines (Unit F) of Section 14.

(8) The proposed acreage and pool rededication results in the following nine wells becoming unorthodox under the well location rules for the pertinent pool:

Gas Pool:

- (a) Federal "C" Well No. 1 (API No. 30-015-10403), located 1650 feet from the north and west lines (unit F) of Section 35, Township 21 South, Range 23 East, N.M.P.M. (W $\frac{1}{2}$ Section 35 non-standard GPU);
- (b) Conoco State Well No. 7 (API No. 30-015-30875), located 1706 feet from the north line and 1828 feet from the west line (Unit F) of Section 2, Township 22 South, Range 23 East, N.M.P.M. (W $\frac{1}{2}$ Section 2 non-standard GPU);
- (c) Conoco State Well No. 4 (API No. 30-015-30621), located 1900 feet from the south line and 1750 feet from the west line (Unit K) of Section 2, Township 22 South, Range 23 East, N.M.P.M. (W $\frac{1}{2}$ Section 2 non-standard GPU);
- (d) Smith Federal Well No. 1 (API No. 30-015-10567), located 1650 feet from the north and west lines (Unit F) of Section 11, Township 22 South, Range 23 East, N.M.P.M. (W $\frac{1}{2}$ Section 11

non-standard GPU);

(e) Federal IBB Gas Com. Well No. 1 (API No. 30-015-10744), located 1650 feet from the north and west lines (Unit F) of Section 14, Township 22 South, Range 23 East, N.M.P.M. (W $\frac{1}{2}$ Section 14 non-standard GPU);

Associated Pool:

4255(50) ✓ (f) Federal "C" Well No. 3 (API No. 30-015-30619), located 1500 feet from the south line and 2080 feet from the east line (Unit J) of Section 35, Township 21 South, Range 23 East, N.M.P.M. (E $\frac{1}{2}$ Section 35 proration unit);

✓ (g) Smith Federal Gas Com. Well No. 2 (API No. 30-015-26834), located 2049 feet from the north line and 480 feet from the west line (Unit E) of Section 12, Township 22 South, Range 23 East, N.M.P.M. (W $\frac{1}{2}$ Section 12 proration unit);

(h) Smith Federal Gas Com. Well No. 3 (API No. 30-015-30687), located 1797 feet from the north line and 2159 feet from the west line (Unit F) of Section 12, Township 22 South, Range 23 East, N.M.P.M. (W $\frac{1}{2}$ Section 12 proration unit); and

(i) HOC Federal Gas Com. Well No. 2 (API No. 30-015-26939), located 330 feet from the north and west lines (Unit D) of Section 13, Township 22 South, Range 23 East, N.M.P.M. (W $\frac{1}{2}$ Section 13 proration unit).

(9) Finally, applicant requests that only one well be allowed per quarter section in the Extension Area. However, the following existing wells, which are located on the same quarter section, shall be allowed to produce concurrently:

(a) Smith Federal Gas Com. Well No. 2 (API No. 30-015-26834), located 2049 feet from the north line and 480 feet from the west line (Unit E) of Section 12, and Smith Federal Gas Com. Well No. 3 (API No. 30-015-30687), located 1797 feet from the north line and 2159 feet from the west line (Unit F) of Section 12, all in Township 22 South, Range 23 East, N.M.P.M. (W $\frac{1}{2}$ Section 12 proration unit); and

(b) HOC Federal Gas Com. Well No. 1 (API No. 30-015-10721), located 1650 feet from the north and west lines (Unit F) of Section 13, and HOC Federal Gas Com. Well No. 2 (API No. 30-015-26939), located 330 feet from the north and west lines (Unit D) of Section 13, all in Township 22 South, Range 23 East, N.M.P.M. (W $\frac{1}{2}$ Section 13 proration unit).

(10) The applicant presented engineering and land evidence which is summarized as follows:

(a) The Indian Basin-Upper Pennsylvanian Gas Pool and Indian Basin-Upper Pennsylvanian Associated Pool are defined by a fault to the west and a zero dolomite contour in the rest of the field, within which virtually all Upper Pennsylvanian production has occurred.

(b) By Division Order No. R-9922-D, dated December 7, 1998, approximately ten sections of land were deleted from the Gas Pool and added to the Associated Pool (the "1998 extension area").

(c) Cumulative production in the Gas Pool to the west of the Extension Area is approximately 50 BCF/section. Recoveries are lower to the east, in the Associated Pool, although production has increased dramatically in the Associated Pool over the last several years. Several wells in the Extension Area have their production curtailed by the Gas Pool's allowable.

(d) Of the 179 wells which have produced in the field, 115 have been completed since 1990, the majority in the Associated Pool. Well density is higher in the Associated Pool than in the Gas Pool, with as many as five wells per section.

(e) Significant water production continues to move westward across the field. High volumes of water production in the Associated Pool has been accompanied by large volumes of oil and gas production.

(f) Average production per well in the Gas Pool peaked in 1994 at over 4.5 MMCFG/day, and has since declined to approximately 1.5 MMCFG/day. However, in the Associated Pool average production per well has inclined from several hundred MCFG/day to over 3 MMCFG/day during the same period. Water production has increased to over 2000 BWPD per well in the Associated Pool.

(g) Along with higher gas and water volumes, oil production has increased over time in the Associated Pool, indicating that increasing fluid withdrawals increases oil production.

(h) Wells in the Extension Area exhibit similar producing rates and characteristics as wells in the 1998 extension area. In addition, of the 25 flowing wells in the Indian Basin field, only two are located in the Associated Pool or in the Extension Area. The remaining 23 flowing wells are in the Gas

Pool.

(i) Oil produced from wells in the Extension Area has a gravity of 40° API and is greenish-yellow in color which is similar to that produced in the Associated Pool to the east, while oil produced to the west, in the Gas Pool, has a gravity of 60°-70° API, and is clear in color.

(j) At the time of the hearing on the 1998 extension area, pressures were approximately 1600 psi in the Associated Pool and 500 psi in the Gas Pool. Pressures in the Associated Pool are currently about 800 psi versus approximately 400 psi in the Gas Pool.

(k) The unorthodox locations in the Gas Pool and the Associated Pool are concentrated near the fault line, near the zero dolomite line, and in or near the Extension Area. This indicates the operators' belief that there remain significant hydrocarbon reserves in the Extension Area which can be accessed by the unorthodox locations.

(l) The proposed extension of the Associated Pool is necessary to allow the Extension Area to compete with wells in both the Gas Pool and the Associated Pool.

(m) The one well per quarter section limitation in the Extension Area provides a buffer zone to prevent unfair competition between the Associated Pool and the Gas Pool. In addition, future wells drilled in the four non-standard GPU's in the Gas Pool which are located no closer than 660 feet to the eastern boundaries of the non-standard GPU's should be considered orthodox.

(n) The granting of this application should not impair the correlative rights:

(i) of any interest owner in Section 19, Township 21 South, Range 24 East, N.M.P.M., because there is no current production from the Cisco/Canyon formations in that section;

(ii) of any interest owner in Sections 25 and 35, Township 21 South, Range 23 East, N.M.P.M., and Section 11, Township 22 South, Range 23 East, N.M.P.M., because those sections are each covered by a single federal lease, with common interest ownership throughout the section;

(iii) of any working interest owner in the existing 640-acre GPU covering Section 14, Township 22 South, Range 23 East, N.M.P.M., because there is a voluntary joint operating agreement in place under which those owners will continue to share in production and pay costs from the new 320 acre spacing units on the same proportional basis as in the original 640-acre unit;

(iv) of any royalty, overriding royalty, or production payment interest owner in the existing 640-acre GPU covering Section 14, Township 22 South, Range 23 East, N.M.P.M., because there is a federal communitization agreement in place under which those owners will continue to share in production from the new 320 acre spacing units on the same proportional basis as in the original 640-acre unit; and

(v) of interest owners in Section 2, Township 22 South, Range 23 East, N.M.P.M., which consists of two State of New Mexico leases, because there are no overriding royalty owners and the State Land Office desires that the existing 674.28-acre communitization agreement terminate and be replaced by (i) a 336.81-acre communitization agreement covering Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$, and SE $\frac{1}{4}$ of Section 2, and (ii) a 337.47-acre communitization agreement covering Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$ of Section 2

The correlative rights of interest owners in the W $\frac{1}{2}$ of Section 36, Township 21 South, Range 23 East, N.M.P.M., and the W $\frac{1}{2}$ of Section 1, W $\frac{1}{2}$ of Section 12, and W $\frac{1}{2}$ of Section 13, all in Township 22 South, Range 23 East, N.M.P.M., were addressed in Division Order No. R-9922-D issued in Case No. 12006.

(11) The evidence presented at the hearing indicates that:

(a) The Cisco/Canyon formations are continuous across the Associated Pool and the Extension Area, and wells within that area exhibit similar producing characteristics and should be subject to the same special rules and regulations.

(b) Substantial volumes of oil and gas can be economically produced from the Extension Area if that area is subject to the same rules currently applicable to the Associated Pool, thereby preventing waste.

(c) Making the Extension Area part of the Associated Pool will afford the opportunity to produce large volumes of water, which improves recovery efficiencies of both oil and gas.

(d) The adoption of the four 320-acre, more or less, non-standard GPU's, and the one well per 160-acre limitation, will establish a "buffer" or transition zone between the Gas Pool and the Associated Pool, which will establish equity and protect correlative rights.

(12) All operators in both the Gas Pool and the Associated Pool have met and discussed the proposals presented in this case, and are in agreement with the applicant's proposals.

(13) Notification of this application and request for hearing was sent to all operators in both the Gas Pool and the Associated Pool, and all other interest owners in the Extension Area, in accordance with Division procedures. No objections have been received by the Division nor by the applicant, and no operator or interest owner appeared at the hearing in opposition to the application.

(14) Yates Petroleum Corporation appeared at the hearing and presented a statement in support of the application.

(15) In order to prevent waste, to prevent the drilling of unnecessary wells, to protect correlative rights, and to provide for more orderly development of the Cisco/Canyon formations, it is necessary to:

(a) contract the Indian Basin-Upper Pennsylvanian Gas Pool and expand the Indian Basin-Upper Pennsylvanian Associated Pool as described in Finding Paragraph No. (6);

(b) approve the four non-standard 320-acre, more or less, GPU's within the Gas Pool as described in Finding Paragraph No. (7);

(c) approve the nine unorthodox gas well locations created by approval of this application, as described in Finding Paragraph No. (8); and

(d) approve the two existing wells in the NW $\frac{1}{4}$ of Section 12 and the two existing wells in the NW $\frac{1}{4}$ of Section 13, all in Township 22 South, Range 23 East, N.M.P.M., as described in Finding Paragraph No. (9).

(16) Granting the application will allow the interest owners the opportunity to economically recover their share of oil and gas in the subject pools, will not reduce the ultimate recovery from the pools, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby contracted by the deletion of the following described area:

Township 21 South, Range 23 East, N.M.P.M.

Section 25: All
Section 35: E½
Section 36: W½

Township 21 South, Range 24 East, N.M.P.M.

Section 19: All

Township 22 South, Range 23 East, N.M.P.M.

Section 1: W½
Section 2: E½
Section 11: E½
Section 12: W½
Section 13: W½
Section 14: E½

(2) Concomitantly, the Indian Basin-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include the following described area:

Township 21 South, Range 23 East, N.M.P.M.

Section 25: All
Section 35: E½
Section 36: W½

Township 21 South, Range 24 East, N.M.P.M.

Section 19: All

Township 22 South, Range 23 East, N.M.P.M.

Section 1: W½
Section 2: E½
Section 11: E½
Section 12: W½
Section 13: W½
Section 14: E½

(3) The following four non-standard GPU's in the Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico are hereby approved:

- (a) the $W\frac{1}{2}$ of Section 35, Township 21 South, Range 23 East, N.M.P.M., comprising 320 acres, more or less, which is to be simultaneously dedicated to the existing (i) Federal "C" 35 Well No. 1 (API No. 30-015-10403), located 1650 feet from the north and west lines (Unit F) of Section 35, and (ii) Federal "C" 35 Well No. 2 (API No. 30-015-27629), located 800 feet from the south and west lines (Unit M) of Section 35;
 - (b) Lots 3, 4, $S\frac{1}{2}NW\frac{1}{4}$, and $SW\frac{1}{4}$ (the $W\frac{1}{2}$ equivalent) of Section 2, Township 22 South, Range 23 East, N.M.P.M., comprising 337.47 acres, more or less, which is to be simultaneously dedicated to the existing (i) Conoco State Well No. 4 (API No. 30-015-30621), located 1900 feet from the south line and 1750 feet from the west line (Unit K) of Section 2, and (ii) Conoco State Well No. 7 (API No. 30-015-30875), located 1706 feet from the north line and 1828 feet from the west line (Unit F) of Section 2;
 - (c) the $W\frac{1}{2}$ of Section 11, Township 22 South, Range 23 East, N.M.P.M., comprising 320 acres, more or less, which is to be simultaneously dedicated to the existing (i) Smith Federal Well No. 1 (API No. 30-015-10567), located 1650 feet from the north and west lines (Unit F) of Section 11, and (ii) Smith Federal Well No. 2 (API No. 30-015-29789), located 1465 feet from the south line and 800 feet from the west line (Unit L) of Section 11; and
 - (d) the $W\frac{1}{2}$ of Section 14, Township 22 South, Range 23 East, N.M.P.M., comprising 320 acres, more or less, which is to be dedicated to the existing Federal IBB Gas Com. Well No. 1 (API No. 30-015-10744), located 1650 feet from the north and west lines (Unit F) of Section 14.
- (4) Any future well located in any of the four non-standard GPU's no closer than 660 feet to the eastern boundary of the unit shall be considered to be at an orthodox location.
- (5) The gas allowables for each of the four non-standard GPU's shall be calculated by applying a 0.5 acreage factor only to each non-standard GPU.
- (6) The following nine unorthodox well locations in the pool indicated are hereby approved:

Indian Basin-Upper Pennsylvanian Gas Pool:

- (a) Federal "C" Well No. 1 (API No. 30-015-10403), located 1650 feet from the north and west lines (unit F) of Section

35, Township 21 South, Range 23 East, N.M.P.M. (W½ Section 35 non-standard GPU);

(b) Conoco State Well No. 7 (API No. 30-015-30875), located 1706 feet from the north line and 1828 feet from the west line (Unit F) of Section 2, Township 22 South, Range 23 East, N.M.P.M. (W½ Section 2 non-standard GPU);

(c) Conoco State Well No. 4 (API No. 30-015-30621), located 1900 feet from the south line and 1750 feet from the west line (Unit K) of Section 2, Township 22 South, Range 23 East, N.M.P.M. (W½ Section 2 non-standard GPU);

(d) Smith Federal Well No. 1 (API No. 30-015-10567), located 1650 feet from the north and west lines (Unit F) of Section 11, Township 22 South, Range 23 East, N.M.P.M. (W½ Section 11 non-standard GPU);

(e) Federal IBB Gas Com. Well No. 1 (API No. 30-015-10744), located 1650 feet from the north and west lines (Unit F) of Section 14, Township 22 South, Range 23 East, N.M.P.M. (W½ Section 14 non-standard GPU);

Indian Basin-Upper Pennsylvanian Associated Pool:

(f) Federal "C" Well No. 3 (API No. 30-015-30619), located 1500 feet from the south line and 2080 feet from the east line (Unit J) of Section 35, Township 21 South, Range 23 East, N.M.P.M. (E½ Section 35 proration unit);

(g) Smith Federal Gas Com. Well No. 2 (API No. 30-015-26834), located 2049 feet from the north line and 480 feet from the west line (Unit E) of Section 12, Township 22 South, Range 23 East, N.M.P.M. (W½ Section 12 proration unit);

(h) Smith Federal Gas Com. Well No. 3 (API No. 30-015-30687), located 1797 feet from the north line and 2159 feet from the west line (Unit F) of Section 12, Township 22 South, Range 23 East, N.M.P.M. (W½ Section 12 proration unit); and

(i) HOC Federal Gas Com. Well No. 2 (API No. 30-015-26939), located 330 feet from the north and west lines (Unit D) of Section 13, Township 22 South, Range 23 East, N.M.P.M. (W½ Section 13 proration unit).

(7) The locations of all wells presently drilling to the Indian Basin-Upper Pennsylvanian Gas Pool or the Indian Basin-Upper Pennsylvanian Associated Pool in the Extension Area are hereby approved. The operator of any well having an unorthodox location

shall notify the Artesia District Office of the Division in writing of the name and location of the well within thirty days from the date of this order.

(8) Only one well shall be allowed per quarter section in the lands described in Ordering Paragraph No. (2). However, the following existing wells, which are located on the same quarter section, shall be allowed to produce concurrently:

(a) Smith Federal Gas Com. Well No. 2 (API No. 30-015-26834), located 2049 feet from the north line and 480 feet from the west line (Unit E) of Section 12, and Smith Federal Gas Com. Well No. 3 (API No. 30-015-30687), located 1797 feet from the north line and 2159 feet from the west line (Unit F) of Section 12, all in Township 22 South, Range 23 East, N.M.P.M. (W $\frac{1}{2}$ Section 12 proration unit); and

(b) HOC Federal Gas Com. Well No. 1 (API No. 30-015-10721), located 1650 feet from the north and west lines (Unit F) of Section 13, and HOC Federal Gas Com. Well No. 2 (API No. 30-015-26939), located 330 feet from the north and west lines (Unit D) of Section 13, all in Township 22 South, Range 23 East, N.M.P.M. (W $\frac{1}{2}$ Section 13 proration unit).

(9) Pursuant to NMSA 1978 §70-2-18.A, existing wells in the Indian Basin-Upper Pennsylvanian Associated Pool within the Extension Area shall have dedicated thereto 320 acres or, pursuant to NMSA 1978 §70-2-18.C, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

(10) Failure to file new Forms C-102 with the Division dedicating 320 acres to a well or to obtain a non-standard unit approved by the Division within 60 days of the date of this order shall subject the well to being shut-in.

(11) 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 date and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director

[Seal]