

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. 12851
Order No. R-11764

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 18, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of April, 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) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Wolfcamp formation, bearing the designation of Bone Tank Draw-Wolfcamp Pool. The Bone Tank Draw-Wolfcamp Pool was discovered by the David H. Arrington Oil and Gas, Inc. Miss Money Penny Federal Com. Well No. 1 located in Unit N of Section 14, Township 21 South, Range 22 East, NMPM, which was completed in the Wolfcamp formation on November 21, 2001. The top of the perforations is at 5,736 feet.

(3) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Abo formation, bearing the designation of County Line Tank-Abo Pool. The County Line Tank-Abo Pool was discovered by the Yates Petroleum Corporation Grande Mike "AZK" State Well No. 1 located in Unit K of Section 2, Township 16 South, Range 29 East, NMPM, which was

completed in the Abo formation on February 2, 2002. The top of the perforations is at 7,240 feet.

(4) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Pennsylvanian formation, bearing the designation of Dark Canyon II-Pennsylvanian Gas Pool. The Dark Canyon II-Pennsylvanian Gas Pool was discovered by the Yates Petroleum Corporation Tyler "AVC" State Well No. 1 located in Unit J of Section 30, Township 23 South, Range 25 East, NMPM, which was completed in the Pennsylvanian formation on January 21, 2002. The top of the perforations is at 9,255 feet.

(5) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Strawn formation, bearing the designation of East Diamond Mound-Strawn Gas Pool. The East Diamond Mound-Strawn Gas Pool was discovered by the Ocean Energy, Inc. Derrick Federal Com. Well No. 5 located in Unit I of Section 5, Township 16 South, Range 28 East, NMPM, which was completed in the Strawn formation on September 3, 2001. The top of the perforations is at 8,884 feet.

(6) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Morrow formation, bearing the designation of Southeast Loafer Draw-Morrow Gas Pool. The Southeast Loafer Draw-Morrow Gas Pool was discovered by the Texaco Exploration and Production Inc. New Mexico "DF" State Com. Well No. 4 located in Unit J of Section 32, Township 21 South, Range 23 East, NMPM, which was completed in the Morrow formation on November 2, 2001. The top of the perforations is at 8,484 feet.

(7) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Seven Rivers formation, bearing the designation of Loco Hills-Seven Rivers Pool. The Loco Hills-Seven Rivers Pool was discovered by the Anadarko Petroleum Corporation Victoria "29" Federal Well No. 1 located in Unit P of Section 29, Township 17 South, Range 30 East, NMPM, which was completed in the Seven Rivers formation on January 17, 2002. The top of the perforations is at 1,742 feet.

(8) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Wolfcamp formation, bearing the designation of Northwest Loco Hills-Wolfcamp Pool. The Northwest Loco Hills-Wolfcamp Pool was discovered by the Ocean Energy, Inc. Artesia State Com. Well No. 4 located in Unit C of Section 23, Township 18 South, Range 28 East, NMPM, which was completed in the Wolfcamp formation on January 21, 2001. The top of the perforations is at 8,522 feet.

(9) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Atoka formation, bearing the designation of East Seven Rivers Hills-Atoka Gas Pool. The East Seven Rivers Hills-Atoka Gas

Pool was discovered by the Marbob Energy Corporation Zebra "FF" Federal Well No. 6 located in Unit F of Section 7, Township 21 South, Range 25 East, NMPM, which was completed in the Atoka formation on January 31, 2002. The top of the perforations is at 9,564 feet.

(10) There is need for certain extensions to the Cedar Lake-Morrow Gas Pool, the East Cedar Lake-Morrow Gas Pool, the Cemetery-Morrow Gas Pool, the Cemetery-Strawn Gas Pool, the South Dagger Draw-Upper Pennsylvanian Associated Pool, the Empire-Wolfcamp Pool, the Grayburg-Morrow Gas Pool, and the Logan Draw-Morrow Gas Pool, all in Eddy County, New Mexico; and the Cottonwood Ranch-Pennsylvanian Gas Pool and the Pecos Slope-Pennsylvanian Pool, both in Chaves County, New Mexico.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Eddy County, New Mexico classified as an oil pool for Wolfcamp production is hereby created and designated as the Bone Tank Draw-Wolfcamp Pool, consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM
Section 14: SW/4

(b) A new pool in Eddy County, New Mexico classified as an oil pool for Abo production is hereby created and designated as the County Line Tank-Abo Pool, consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM
Section 2: SW/4

(c) A new pool in Eddy County, New Mexico classified as a gas pool for Pennsylvanian production is hereby created and designated as the Dark Canyon II-Pennsylvanian Gas Pool, consisting of the following described area:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM
Section 30: E/2

(d) A new pool in Eddy County, New Mexico classified as a gas pool for Strawn production is hereby created and designated as the East Diamond Mound-Strawn Gas Pool, consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 5: S/2

(e) A new pool in Eddy County, New Mexico classified as a gas pool for Morrow production is hereby created and designated as the Southeast Loafer Draw-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 32: E/2

(f) A new pool in Eddy County, New Mexico classified as an oil pool for Seven Rivers production is hereby created and designated as the Loco Hills-Seven Rivers Pool, consisting of the following described area:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 29: SE/4

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

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 23: NW/4

(h) A new pool in Eddy County, New Mexico classified as a gas pool for Atoka production is hereby created and designated as the East Seven Rivers Hills-Atoka Gas Pool, consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM

Section 7: W/2

(i) The Cedar Lake-Morrow Gas Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Section 12: E/2

(j) The East Cedar Lake-Morrow Gas Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 35: S/2

Section 36: W/2

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

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 36: N/2

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Section 14: N/2

Section 26: NW/4

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM

Section 28: S/2

(l) The Cemetery-Strawn Gas Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Section 23: W/2 and NE/4

(m) The Cottonwood Ranch-Pennsylvanian Gas Pool in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM

Section 36: E/2

(n) The South Dagger Draw-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Section 29: S/2

Section 32: W/2

(o) The Empire-Wolfcamp Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM

Section 13: E/2

Section 24: NE/4

(p) The Grayburg-Morrow Gas Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 34: W/2

(q) The Logan Draw-Morrow Gas Pool in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM

Section 25: N/2

(r) The Pecos Slope-Pennsylvanian Pool in Chaves County, New Mexico is hereby extended to include:

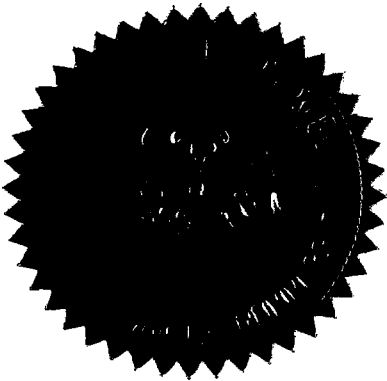
TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM
Section 35: W/2

IT IS FURTHER ORDERED THAT:

(1) Pursuant to Section 70-2-18, NMSA, 1978, an operator of any well that, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one presently dedicated thereto, shall have 60 days from the effective date of this order to file Form C-102 dedicating a standard unit for the pool to that well or to obtain a non-standard unit approved by the Division. Pending such compliance, the well shall receive a maximum allowable in the same proportion to a standard allowable for the pool that the acreage dedicated to the well bears to a standard unit for the pool. Failure to file Form C-102 dedicating a standard unit to the well or to obtain a non-standard unit approved by the Division within that 60-day period shall subject the well to cancellation of allowable.

(2) The effective date of this order and all creations and extensions included herein shall be May 1, 2002.

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 that reads "Lori Wrotenbery".

LORI WROTENBERY
Director