



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

MEMORANDUM

TO: All Oil and Gas Operators and Interested Parties

FROM: WILLIAM J. LEMAY, Director *WJL*
Oil Conservation Division

SUBJECT: OCD Policy On Approval of C-104s - Approval of New Operator on Property Transfers

DATE: March 8, 1996

Within the past few months Oil Conservation Division (OCD) has received applications (C-104s) requesting the transfer of operating responsibility (including plugging liability) on a large number of marginal and abandoned wells in New Mexico. In the past, approval of C-104s was conditioned upon the new operator having in place a blanket plugging bond to cover their plugging liabilities in the State. Recently however, a large number of marginal and abandoned properties have been purchased by companies residing out-of-state where little or no operating history is available and/or compliance with rules and regulations in New Mexico or other states is less-than-satisfactory.

Effective immediately, OCD approval of C-104s for over ten wells will require that the new operator meet the following requirements:

1. The new operator must have a blanket plugging bond in place.
2. In addition to the blanket bond, the OCD may request a separate \$5,000 one well bond for each well that has been inactive for a period of two years or longer. Legal authority for this requirement is Section 70-2-14 of the Oil and Gas Act entitled "Plugging requirement", Paragraph A, which states, "In addition to the blanket plugging bond the OCD may require a one well bond on any well that has been held in temporarily abandoned status for more that two years". Legal interpretation is that a one well plugging bond may be required even if the well is brought back on production at a later date. The two year period of inactivity evidences the fact that the well is at or near the end of its productive life. This additional bonding requirement may be imposed when the new operator has no significant permanent assets in New Mexico other than the large number of marginal wells and/or the new operator has no operating history or a less-than-satisfactory compliance record in New Mexico or other states. An increased blanket bond may be accepted in lieu of separate one-well bonds.

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There will be an industry committee to look into the matter of financial surety for the plugging of wells. It is unfortunate that the above policy is necessary, but recent developments in the oil patch have shown a pattern involving assignment of large numbers of marginal and inactive wells to companies which strip the wells of salvageable value without providing sufficient financial surety to insure that these wells will ultimately be plugged.

DOCKET: EXAMINER HEARING - THURSDAY - MARCH 21, 1996

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 10-96 and 11-96 are tentatively set for April 4, 1996 and April 18, 1996. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 11473: (Continued from February 22, 1996, Examiner Hearing.)

Application of Enserch Exploration, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the SW/4 NE/4 of Section 21, Township 25 South, Range 36 East, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said unit is to be dedicated to its Moberly "21" Well No. 1 to be drilled at a standard well location 1980 feet from the North and East lines (Unit G) of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said unit is located approximately 4 miles west of Jal, New Mexico

CASE 11491: **Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 20, Township 22 South, Range 28 East, and in the following manner: the N/2 of Section 20 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Dublin Ranch-Atoka Gas Pool; the Undesignated Dublin Ranch-Morrow Gas Pool; and the Undesignated Otis-Morrow Gas Pool; the NW/4 of Section 20 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within said vertical extent; and the NE/4 NW/4 of Section 20 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within said vertical extent, including the Undesignated Indian Draw-Delaware Pool and the Undesignated Herradura Bend-Cherry Canyon Pool. Said unit is to be dedicated to applicant's Foal Fed. Well No. 1, to be drilled at an unorthodox well location 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 20. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said unit is located approximately 7 miles north of Loving, New Mexico.

CASE 11461: (Continued from March 7, 1996, Examiner Hearing)

Application of Santa Fe Energy Resources, Inc. for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Devonian formation underlying the following described acreage in Section 29, Township 22 South, Range 34 East, and in the following manner: All of Section 29 to form a standard 640-acre gas spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing within said vertical extent, including the Undesignated North Bell Lake-Devonian Gas Pool; and the E/2 of Section 29 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Antelope Ridge-Atoka Gas Pool. Said units are to be dedicated to the applicant's Shamrock "29" Fed Com. Well No. 1 to be drilled at an orthodox gas well location 1330 feet from the North and East lines (Unit G) of the Section. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said units are located approximately 16 miles southwest of Eunice, New Mexico.

CASE 11470: (Continued from February 22, 1996, Examiner Hearing)

Application of Energy Development Corporation for salt water disposal, Sandoval County, New Mexico. Applicant seeks authority to inject produced water into the Menefee formation through perforations from 2,438 - 2,624 feet in its existing San Isidro (Shallow) Unit Well No. 7-11, located 2074 feet from the South line and 1,650 feet from the West line (Unit K) of Section 7, Township 20 North, Range 2 West. Said well is located approximately 8 miles southwest of Cuba, New Mexico.

CASE 11492: **Application of Strata Production Company for a unit agreement, Eddy County, New Mexico.** Applicant seeks approval of the West Loving Exploratory Unit Agreement for an area comprising 1,400 acres, more or less, of federal, state, and fee lands in Sections 23, 27 and 28 of Township 23 South, Range 27 East. Said unit area is located approximately 3 1/2 miles west of Loving, New Mexico.

CASE 11493: Application of Bonneville Fuels Corporation for pool contraction, pool creation, the promulgation of special pool rules, and the assignment of a special limiting gas-oil ratio, Lea County, New Mexico. Applicant seeks to contract the boundaries of the South Humble City-Strawn Pool by deleting therefrom the W/2 SW/4 of Section 13 and the S/2 of Section 14, both in Township 17 South, Range 37 East, and the concomitant creation of a new pool for the production of oil from the Strawn formation comprising said acreage. The applicant further seeks the promulgation of special rules and regulations therefor, including provisions for 80-acre spacing and proration units, designated well location requirements, and a gas-oil ratio limitation of 8,000 cubic feet of gas per barrel of oil. The above-described area is located approximately 2.5 miles north of Humble City, New Mexico.

CASE 11494: Application of Enron Oil & Gas Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 7, Township 24 South, Range 34 East for all formations developed on 320-acre spacing. Applicant proposes to dedicate this pooled unit to its Bell Lake Unit 7 Well No. 1 to be drilled at a standard location 2200 feet from the North line and 1980 feet from the East line (Unit G) of said Section 7 to test any and all formations to the base of the Morrow formation, South Bell Lake-Morrow Gas Pool. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said unit is located approximately 20 miles southwest of Eunice, New Mexico.

CASE 11495: Application of Penwell Energy, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 28 for all formations developed on 320-acre spacing, the NW/4 of Section 28 for all formations developed on 160-acre spacing, the N/2 NW/4 of Section 28 for all formations developed on 80-acre spacing and the NE/4 NW/4 of Section 28 for all formations developed on 40-acre spacing, all in Township 23 South, Range 26 East. Applicant proposes to dedicate this pooled unit to its F. H. State "28" Com Well No. 1 to be drilled at a standard location 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 28 to test any and all formations to the base of the Morrow formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said unit is located approximately 10 miles south of Carlsbad, New Mexico.

CASE 11483: (Continued from March 7, 1996, Examiner Hearing.)

Application of Penwell Energy, Inc. for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the N/2 of Section 33, Township 21 South, Range 33 East, for all formations developed on 320-acre spacing. Said unit is to be dedicated to the J. D. Federal 33 Well No. 1 to be drilled at an unorthodox location 660 feet from the North line and 2080 feet from the East line in the N/2 of Section 33. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said unit is located approximately 24 miles west of Eunice, New Mexico.

CASE 11464: (Continued from March 7, 1996, Examiner Hearing)

Application of Penwell Energy, Inc. for pool creation, special pool rules and a discovery allowable, Eddy County, New Mexico. Applicant seeks the creation of a new pool for the production of oil from the Bone Spring formation comprising the W/2 NE/4 of Section 7, Township 22 South, Range 26 East, the assignment of a discovery allowable, and the promulgation of special pool rules therefor including provisions for 80-acre oil spacing units and designated well location requirements. Said area is located approximately 15 miles south of Loving, New Mexico.

CASE 11484: (Readvertised)

Application of Yates Petroleum Corporation to amend the special pool rules and regulations for the Indian Basin-Upper Pennsylvanian Associated Pool established by Order No. R-9922, Eddy County, New Mexico. Applicant seeks the promulgation of special rules and regulations for the Indian Basin-Upper Pennsylvanian Associated Pool, including the authorization of no more than one well per 80 acres, allowing the simultaneous dedication of acreage to both oil and gas wells, a special limiting gas-oil ratio of 10,000 cubic feet of gas for each barrel of oil produced, and a special oil allowable for the pool of 1400 barrels of oil per day. Said pool is located approximately 16 miles west of Carlsbad, New Mexico.

CASE 11496: Application of Amoco Production Company for surface commingling, San Juan County, New Mexico. Applicant seeks an exception to Division general Rule 303.A to permit surface commingling of Fulcher Kutz-Pictured Cliffs Pool gas production from its Bolack "F" Well No. 1 (API No. 30-045-29233), located 1570 feet from the North line and 1510 feet from the West line (Unit F) of Section 2, Township 27 North, Range 11 West, with Basin-Dakota Pool gas production from its Bolack "A" Well No. 1-E (API No. 30-045-25747), located 1700 feet from the North line and 1520 feet from the West line (Unit F) of said Section 2. Said wells are located approximately 3 miles north-northeast of Bloomfield, New Mexico. IN THE ABSENCE OF OBJECTION THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.

CASE 11497: Application of Amoco Production Company for fourteen unorthodox infill carbon dioxide gas well locations, Union County, New Mexico. Applicant seeks an exception to the provisions of Rule 4 of the *"Special Rules and Regulations for the Bravo Dome 640-Acre Area"*, as promulgated by Division Order No. R-7556, dated June 19, 1984, for fourteen certain infill carbon dioxide gas well locations all located within its Bravo Dome Carbon Dioxide Gas Unit Area in Township 18 North, Range 35 East; Township 21 North, Ranges 34 and 35 East; and Township 22 South, Range 34 East.

CASE 11475: (Continued from February 22, 1996, Examiner Hearing)

Application of Texaco Exploration and Production Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the SW/4 of Section 23 for all formations developed on 160-acre spacing, in the W/2 SW/4 of Section 23 for all formations developed on 80-acre spacing and in the SW/4 SW/4 of Section 23 for all formations developed on 40-acre spacing, in Township 26 South, Range 37 East. Said units are to be dedicated to its Rhodes "23" Fed. Com Well No. 1 to be drilled at a standard location 660 feet from the South line and 660 feet from the West line in the SW/4 of said Section 23 and drilled to the Rhodes Yates-Seven Rivers Gas Pool. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said area is located approximately 5 miles south-southeast of Jal, New Mexico.

CASE 11479: (Continued from March 7, 1996, Examiner Hearing.)

Application of Exxon Corporation for a non-standard gas proration unit, simultaneous dedication and two unorthodox gas well locations, Lea County, New Mexico. Applicant seeks to establish a non-standard 159.92-acre gas spacing and proration unit for Blinebry Oil and Gas Pool production comprising Lots 2, 3, and the S/2 NW/4 of Section 2, Township 22 South, Range 37 East. Said unit is to be dedicated to its existing New Mexico "S" State Well Nos. 14, 38 and 28, located in Units C, E, and F, respectively. Applicant also seeks approval of an unorthodox gas well location for Well No. 38, located 2100 feet from the North line and 660 feet from the West line (Unit F) of said Section 2 and for Well No. 28, located 2160 feet from the North line and 1800 feet from the West line (Unit F) of said Section 2. Said proration unit is located two miles southeast of Eunice, New Mexico.

CASE 11016: (Reopened)

In the matter of Case No. 11016 being reopened pursuant to the provisions of Division Order No. R-5353-P, which order created the North Teague-Tubb Associated Pool, Lea County, New Mexico, and promulgated temporary special pool rules. Operators in the subject pool may appear and show cause why the North Teague-Tubb Associated Pool should not be reclassified as an oil pool and why a gas-oil ratio limitation of 6,000:1 is appropriate for this pool.

CASE 11017: (Reopened)

In the matter of Case No. 11017 being reopened pursuant to the provisions of Division Order No. R-5353-Q, which order reclassified the North Teague Lower Paddock-Blinebry Gas Pool, Lea County, New Mexico, and promulgated temporary special pool rules. Operators in the subject pool may appear and show cause why said North Teague Lower Paddock-Blinebry Associated Pool should not be reclassified as an oil pool why a gas-oil ratio limitation of 6,000:1 is appropriate for this pool.

CASE 11018: (Reopened)

In the matter of Case No. 11018 being reopened pursuant to the provisions of Division Order No. R-10199, which order created the North Teague Drinkard-Abo Pool, Lea County, New Mexico, promulgated temporary special pool rules. Operators in the subject pool may appear and show cause why a gas-oil ratio limitation of 10,000 cubic feet of gas per barrel of oil is appropriate on a permanent basis for said pool.

CASE 10748: (Reopened - Continued from March 7, 1996, Examiner Hearing.)

In the matter of Case No. 10748 being reopened pursuant to the provisions of Division Order No. R-9922-B, which order continued Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico, in full force and effect until January, 1996. Operators in the subject pool may appear and show cause why the Temporary Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool should not be rescinded and the pool developed on statewide rules and regulations. Said pool is located approximately 16 miles west of Carlsbad, New Mexico.

CASE 10555: (Reopened)

In the matter of Case No. 10555 being reopened pursuant to the provisions of Division Order No. R-8170-M, which order established a minimum gas allowable in the Justis (Glorieta) Gas Pool, Lea County, New Mexico. Operators in the subject pool may appear and present evidence and testimony relevant to the continuation of a minimum gas allowable in said Justis (Glorieta) Gas Pool.

CASE 11480: (Continued from March 7, 1996, Examiner Hearing.)

Application of Meridian Oil Inc. for downhole commingling, San Juan County, New Mexico. Applicant seeks approval to downhole commingle conventional Aztec-Pictured Cliffs Gas Pool production (160-acre standard dedication comprising the SW/4) with gas production from the Blanco-Mesaverde Gas Pool (320-acre standard dedication comprising the W/2) within the wellbore of its existing Hancock Well No. 3 located 890 feet from the South line and 990 feet from the West line (Unit M) of Section 22, Township 28 North, Range 9 West. Applicant further seeks an exception to the pressure differential limitations of Rule 303(C)(b)(v). Said well is located approximately 5 miles southeast of Blanco, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

CASE 11481: (Continued from March 7, 1996, Examiner Hearing.)

Application of Nearburg Exploration Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its proposed Black River "10" Federal Com Well No. 1 at an unorthodox gas well location 1330 feet from the North line and 990 feet from the West line (Unit E) of Section 10, Township 24 South, Range 26 East, to be dedicated to a standard 320-acre spacing unit consisting of the W/2 of said Section 10 and to be dedicated to any and all production therein including but not necessarily limited to the Undesignated South Carlsbad-Morrow Gas Pool. Said unit is located approximately 10 ½ miles southwest of Whites City, New Mexico.

CASE 11498: In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit CMS Oilfield Services, Inc., operator, United States Fidelity and Guaranty Company, surety, and all other interested parties to appear and show cause why the Caranta Well No. 1 (API No. 30-039-22806), located 1980 feet from the South and East lines (Unit J) of Section 23, Township 32 North, Range 1 West, Rio Arriba County, New Mexico (which is approximately 2 miles east by north of Dulce, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program. Should the operator fail to properly plug said well, the Division should then be authorized to take such action as is deemed necessary to have the well properly plugged and abandoned and to direct the operator to pay the costs of such plugging. This well was the subject of a previous forced plugging case in which Division Order No. R-8304 was issued.

CASE 11499: In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, Deanie Lou, American Manufacturer's Mutual Insurance Company, Surety, and all other interested parties to appear and show cause why the Ring Well No. 1 located in Unit C of Section 32, Township 6 South, Range 26 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program, authorizing the Division to plug said well, and ordering a forfeiture of the plugging bond.

CASE 11500: In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, H. W. Pace, American Manufacturer's Mutual Insurance Company, Surety, and all other interested parties to appear and show cause why the Pat State Well No. 1 located in Unit P of Section 30, Township 10 South, Range 27 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program, authorizing the Division to plug said well, and ordering a forfeiture of the plugging bond.

CASE 11476: (Continued from February 22, 1996, Examiner Hearing.)

Application of Doyle Hartman and Margaret Hartman, d/b/a Doyle Hartman, Oil Operator, for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the SW/4 of Section 23, Township 26 South, Range 37 East for all formations developed on 160-acre spacing. Said unit is to be dedicated to a well to be drilled at a standard location 1980 feet from the South line and 660 feet from the West line of said Section 23 and drilled to the Rhodes Yates-Seven Rivers Gas Pool. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said area is located approximately 5 miles south-southeast of Jal, New Mexico.

CASE 11457: (Continued from March 7, 1996, Examiner Hearing.)

In the matter of the application of the New Mexico Oil Conservation Division for a show cause hearing requiring Petro-Thermo Corporation to appear and show cause why its Goodwin Treating Plant located in the SW/4 NW/4 of Section 31, Township 18 South, Range 37 East, Lea County, New Mexico should not: (1) be ordered to cease operations, (2) have its permit to operate revoked, (3) be closed and cleaned up, (4) be closed by the Division if Petro-Thermo does not close it, (5) have the costs of closure and cleanup assessed against Petro-Thermo and (6) have its \$25,000 bond forfeited. Said plant is located approximately 9 miles west of Hobbs, New Mexico.

CASE 11467: (Continued from March 7, 1996, Examiner Hearing)

Application of the Oil Conservation Division for a show cause hearing requiring Southwest Water Disposal, Inc. (SWD) to appear and show cause why it should not be ordered to comply with its permit requirements and close its commercial clay lined surface evaporation pond located in the SE/4 SW/4, Section 32, Township 30 North, Range 9 West, San Juan County, New Mexico. Said facility is located approximately 3 miles north-northeast of Blanco, New Mexico.

CASE 11501: In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order creating and extending certain pools in Chaves and Eddy Counties, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Boyd-Strawn Gas Pool. The discovery well is the Nearburg Producing Company Parino Well No. 1 located in Unit I of Section 23, Township 19 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Section 23: S/2

- (b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Grayburg production and designated as the Southeast Diamond Mound-Grayburg Gas Pool. The discovery well is the Collins & Ware, Inc. "CV" 14 Federal Well No. 1 located in Unit L of Section 14, Township 16 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM

Section 14: SW/4

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the HG-Atoka Gas Pool. The discovery well is the Yates Petroleum Corporation Hannagan "APL" Federal Com. Well No. 1 located in Unit G of Section 31, Township 19 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM

Section 31: N/2

- (d) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the North Pierce Crossing-Bone Spring Pool. The discovery well is the Texaco Exploration & Production Malaga Harroun "6" Well No. 1 located in Unit F of Section 6, Township 24 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 6: NW/4

- (e) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Red Bluff-Delaware Pool. The discovery well is the Pogo Producing Company South Malaga "35" State Well No. 1 located in Unit D of Section 35, Township 25 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 28 EAST, NMPM

Section 35: NW/4

- (f) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the South Sulphate Draw-Delaware Pool. The discovery well is the TMBR/Sharp Drilling, Inc. State "3" Well No. 1 located in Unit H of Section 3, Township 25 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM

Section 3: NE/4

- (g) EXTEND the Cedar Canyon-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 21: W/2

Section 28: NW/4

- (h) EXTEND the Corral Draw-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 21: SE/4

Section 28: NW/4

- (i) EXTEND the South Culebra Bluff-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM

Section 7: SW/4

Section 18: NW/4

- (j) EXTEND the HG-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM

Section 31: N/2

- (k) EXTEND the Southwest Lone Wolf-Devonian Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 29 EAST, NMPM

Section 29: SW/4

- (l) EXTEND the Malaga-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM

Section 13: W/2 SW/4

Section 14: SE/4

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 8: NW/4

- (m) EXTEND the East Pierce Crossing-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 23: E/2

Section 26: NE/4

- (n) EXTEND the West Ross Draw-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 30 EAST, NMPM

Section 28: NW/4

Section 29: N/2

- (o) EXTEND the Russell-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 14: S/2

- (p) EXTEND the South Sand Dunes-Lower Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM

Section 10: E/2

- (q) EXTEND the North Turkey Track-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM

Section 2: E/2

- (r) EXTEND the Winchester-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM

Section 26: S/2

Section 35: N/2

IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.