

**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. 14876
ORDER NO. R-13610**

**APPLICATION OF THOMPSON ENGINEERING AND PRODUCTION
CORPORATION FOR APPROVAL OF A UNIT AGREEMENT, SAN JUAN
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on July 12, 2012, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 31st day of July, 2012, 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 applicant, Thompson Engineering and Production Corporation ("Thompson" or "Applicant"), seeks approval of its PGA Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Fruitland Coal formation underlying the following-described 8,436.83 acres, more or less, of Federal and State of New Mexico lands situated in San Juan County, New Mexico:

TOWNSHIP 23 NORTH, RANGE 11 WEST, NMPM

Section 2:	Lots 1-4, S/2 N/2, and S/2 (All)
Section 3:	Lots 1-4, S/2 N/2, and S/2 (All)
Section 4:	Lots 1-4, S/2 N/2, and S/2 (All)
Section 8:	S/2
Section 9:	All
Section 10:	All
Section 16:	All

TOWNSHIP 24 NORTH, RANGE 11 WEST, NMPM

Section 21: Lots 8, 9, 10, and SE/4

Section 22: SW/4

Section 25: W/2

Section 26: S/2

Section 27: All

Section 28: All

Section 33: All

Section 34: All

Section 35: All

- (3) The Applicant presented testimony that demonstrates that:
- (a) One hundred (100%) percent of the working interest owners, one hundred (100%) percent of the royalty and overriding royalty interest owners within the Unit area are committed to the Unit;
 - (b) The Commissioner of Public Lands and the Bureau of Land Management (BLM) have given preliminary approval for the proposed Unit;
 - (c) The initial two wells will be drilled at standard well locations in the NE/4 of Section 2, Township 23 North, Range 11 West and the SW/4 of Section 22, Township 24 North, Range 11 West;
 - (d) The primary target for these initial wells will be the Basin Fruitland Coal formation; and
 - (e) Thompson plans to drill additional wells to develop the unit if the initial wells are successful.
- (4) No other party appeared at the hearing or otherwise opposed this application.
- (5) All of the proposed unit acreage appears prospective for 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) 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 PGA Exploratory Unit Agreement executed by Thompson Engineering and Production Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Fruitland Coal formation underlying the

following-described 8,436.83 acres, more or less, of Federal and State of New Mexico lands situated in San Juan County, New Mexico:

TOWNSHIP 23 NORTH, RANGE 11 WEST, NMPM

Section 2: Lots 1-4, S/2 N/2, and S/2 (All)
Section 3: Lots 1-4, S/2 N/2, and S/2 (All)
Section 4: Lots 1-4, S/2 N/2, and S/2 (All)
Section 8: S/2
Section 9: All
Section 10: All
Section 16: All

TOWNSHIP 24 NORTH, RANGE 11 WEST, NMPM

Section 21: Lots 8, 9, 10, and SE/4
Section 22: SW/4
Section 25: W/2
Section 26: S/2
Section 27: All
Section 28: All
Section 33: All
Section 34: All
Section 35: All

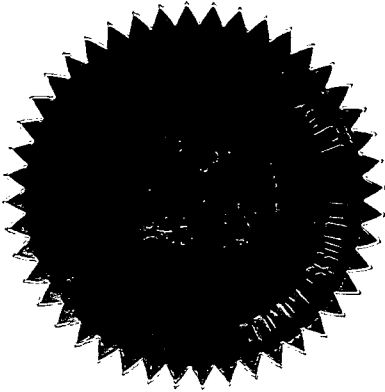
(2) The plan contained in the PGA Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or 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 therefrom.

(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) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office (SLO), and the Bureau of Land Management (BLM). 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.

(5) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is fluid and cursive.

JAMI BAILEY
Director