

**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. 13515
ORDER NO. R-12382**

**APPLICATION OF CHENEY ENERGY PARTNERS, LLC FOR A UNIT
AGREEMENT, CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing on June 30, 2005, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 7th day of July, 2005, 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 Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Cheney Energy Partners, LLC ("Cheney" or "Applicant"), seeks approval of its Mescalero Springs State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Morrow formation underlying the following-described 1,280 acres, more or less, of State of New Mexico lands situated in Chaves County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 31 EAST, NMPM

Section 23: All

Section 24: All

(3) The Applicant presented testimony by affidavit as follows.

(a) Cheney owns 78 percent of the working interest in the proposed Unit. Eighty acres within the Unit is unleased Fee land. Proposal letters were sent to all of the unleased Fee owners.

- (b) One hundred percent of the royalty interest is owned by the State of New Mexico.
 - (c) The State Land Office has given preliminary approval for this Unit.
 - (d) The initial well will be drilled at a standard gas well location 1,980 feet from the South line and 660 feet from the West line of Section 23, Township 11 South, Range 31 East, NMPM, Chaves County, New Mexico, and to an approximate depth of 12,000 feet.
 - (e) The primary target for this initial well is the Morrow, but the Atoka and San Andres formations are also targets.
 - (f) Cheney is attempting to locate the Morrow formation as it exists in incised valley depositional systems.
- (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 Mescalero Springs State Exploratory Unit Agreement executed by Cheney Energy Partners, LLC is hereby approved for all oil and gas in all formations from the surface to the base of the Morrow formation underlying the following-described 1,280 acres, more or less, of State of New Mexico lands situated in Chaves County, New Mexico:

TOWNSHIP 11 SOUTH. RANGE 31 EAST. NMPM

Section 23: All

Section 24: All

(2) The plan contained in the Mescalero Springs State 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.

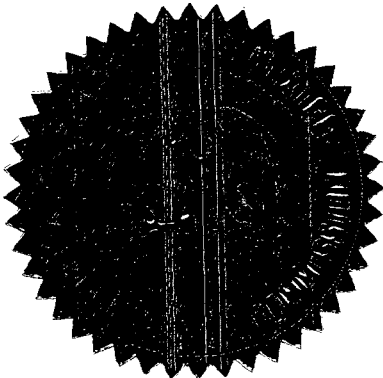
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

(6) 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 'Mark E. Fesmire'.

MARK E. FESMIRE, P.E.
Director