

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 4: Lots 2, 3, and 4 (NW/4 NE/4 and N/2 NW/4 equivalent)

Section 5: Lots 1 through 4 and S/2 S/2 (N/2 equivalent) and NW/4 SW/4;

- (3) The Vacuum Grayburg-San Andres Pool within both pressure maintenance projects are subject to the statewide rules and regulations for oil wells, as promulgated by Division Rules 104.B (1) and 104.F (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case 12119 on August 12, 1999, which provides for 40-acre oil spacing and proration units and requires that wells be located no closer than the required minimum distance to the outer boundary of the lease or unitized area (pressure maintenance/waterflood project area), in this case 330 feet, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- (4) The eight proposed wells will serve to benefit both pressure maintenance projects by allowing for the completion of an efficient and effective production/injection pattern within this portion of the pool along this common boundary line;
- (5) Both Texaco and Phillips are in the process of finalizing a Producers Cooperative Unit Line Agreement and Water Injection Agreement. By these agreements, the parties will split on a fair and equitable basis, the costs of drilling and operating, and the proceeds from production from, the wells which are the subject of both applications;
- (6) These agreements will ensure the proper production and conservation of oil and gas from the Vacuum Grayburg-San Andres Pool in the subject area, and will ensure that the parties' correlative rights are protected;
- (7) This application has been duly filed under the provisions of Division Rule 104.F; and
- (8) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering practices, and should allow for the recovery of additional reserves that might not otherwise be produced.

It Is Therefore Ordered That:

- (1) By the authority granted me under the provisions of Division Rule 104.F (2), Phillips Petroleum Company ("Phillips") and Texaco Exploration and Production Inc. ("Texaco"), as the operator of its respective pressure maintenance project, are hereby authorized to drill the following eight described wells at unorthodox locations within the Vacuum Grayburg-San Andres Pool in Sections 31 and 32, Township 17 South, Range 35 East, NMPM, and Section 6, Township 18 South,