

(12) Testimony indicates that there is an offset well, the BTA Oil Producers Mesa "B" 8105 JV-P Well No. 1, located in Unit F of Section 7, which is currently perforated in and producing from the Upper Wolfcamp interval.

(13) There is a possibility that the above-described Mesa "B" 8105 JV-P Well No. 1 may be draining a portion of Section 5 within the Upper Wolfcamp interval.

(14) Applicant testified that if its application is approved, the Red Hills Unit Well No. 2 will only be produced from the Lower Wolfcamp interval, and the Red Hills Unit Well No. 3 will only be produced from the Upper Wolfcamp interval.

(15) Kaiser-Francis Oil Company, the offset operator to the west in Section 6 appeared through counsel at the hearing and stated that it had reached an agreement with Unocal and was therefore not opposing the subject application.

(16) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(17) Approval of the application will allow the applicant the opportunity to produce its just and equitable share of the gas in the Upper and Lower Wolfcamp intervals within the Red Hills-Wolfcamp Gas Pool and will allow the recovery of gas from the Upper Wolfcamp interval which may otherwise not be recovered, thereby preventing waste.

(18) In addition, approval of the subject application will not violate correlative rights provided that the applicant not be allowed to produce both the Upper Wolfcamp or Lower Wolfcamp intervals in either the Red Hills Unit Well Nos. 2 or 3.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Union Oil Company of California d/b/a Unocal, is hereby authorized to simultaneously dedicate an existing 640-acre standard gas spacing and proration unit in the Red Hills-Wolfcamp Gas Pool comprising all of Section 5, Township 26 South, Range 33 East, NMPM, Lea County, New Mexico, to both its Red Hills Unit Well No. 2, located at a previously approved unorthodox gas well location 990 feet from the North line and 1650 feet from the East line (Unit B) of Section 5, and its Red Hills Unit Well No. 3 located at a standard gas well location 1980 feet from the South line and 2180 feet from the West line (Unit K) of Section 5.

(2) The applicant is further authorized to produce its Red Hills Unit Well Nos. 2 and 3 concurrently and continuously.