

**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. 10100 - Reopened
Order No. R-9330-B**

**IN THE MATTER OF CASE 10100 BEING
REOPENED PURSUANT TO THE PROVISIONS
OF DIVISION ORDER NO. R-9330, WHICH
ORDER PROMULGATED SPECIAL OPERATING
RULES AND REGULATIONS FOR THE SAN
ISIDRO (SHALLOW) UNIT IN SANDOVAL
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 7, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of January, 1993, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Order No. R-9330, issued in Case No. 10100 on October 26, 1990, the Division, upon application of Samuel Gary Jr. & Associates, Inc., promulgated Special Operating Rules and Regulations for the San Isidro (Shallow) Unit, located in portions of Townships 20 and 21 North, Ranges 2 and 3 West, Sandoval County, New Mexico, for the purpose of conducting a horizontal drilling program within the Unit in the Rio Puerco-Mancos Oil Pool.

(3) The subject special operating rules and regulations include, among other things, provisions whereby:

- a) spacing and proration units may consist of 320 acres or 640 acres. Spacing units consisting of 320 acres may be developed with one or more wells. Spacing units consisting of 640 acres may be formed provided that the horizontal wellbore penetrates both 320-acre units, and the resulting 640-acre unit may be developed with one or more wells;
- b) wells shall be located no closer than 660 feet from the outer boundary of the spacing or proration unit. Wells completed on any proration unit on the exterior of the San Isidro (Shallow) Unit shall not be closer than 1800 feet from any other well outside the Unit completed or drilling in the pool;
- c) a standard 320-acre proration unit shall receive an allowable of 320 barrels of oil per day. A non-standard 640-acre proration unit shall receive an allowable of 640 barrels of oil per day;
- d) applications to drill horizontal wellbores within the San Isidro (Shallow) Unit may be approved administratively;
- e) during a 60-day period while drilling and completing a horizontal wellbore within the Unit, said well shall receive a special oil allowable of up to 19,200 barrels; and,
- f) the limiting gas-oil ratio is 500 cubic feet of gas per barrel of oil.

(4) By Order No. R-9330-A issued in Case No. 10331 on August 1, 1991, the Division, upon application of Veteran Exploration Inc., the then current operator of the San Isidro (Shallow) Unit, amended the Special Operating Rules and Regulations for the San Isidro (Shallow) Unit to provide for administrative approval of 320-acre, 480-acre or 640-acre non-standard proration units consisting of contiguous quarter sections from more than one governmental section when a horizontal well crossing section lines is being applied for.

(5) Pursuant to the provisions of Division Order No. R-9330, Case No. 10100 is being reopened at this time to allow the operator of the San Isidro (Shallow) Unit or other interested parties to appear and present evidence and testimony to show cause why the special operating rules and regulations should remain in effect.

(6) Energy Development Corporation (EDC), the current operator of the San Isidro (Shallow) Unit, appeared at the hearing and presented evidence and testimony in support of continuing the special operating rules and regulations.

(7) The evidence and testimony indicates that EDC was an interest owner in the Unit at the time it was formed, and has participated with Samuel Gary Jr. & Associates, Inc. and Veteran Exploration, Inc. in the drilling of five wells to date within the Unit.

(8) EDC assumed Unit operations in late 1992.

(9) Testimony by EDC indicates that the special operating rules and regulations have provided the flexibility necessary to conduct horizontal drilling operations within the San Isidro (Shallow) Unit.

(10) Further testimony by EDC indicates that it intends to drill possibly four additional wells within the Unit in 1993.

(11) No other offset operator and/or interest owner appeared at the hearing to present evidence and testimony.

(12) The special operating rules and regulations should remain in effect until further order of the Division provided that the Division should have the opportunity to review current operations within the Unit in order to assess EDC's progress in drilling and production operations.

(13) EDC should be required to submit an annual report to the Division summarizing activity within the San Isidro (Shallow) Unit including drilling and production operations.

IT IS THEREFORE ORDERED THAT:

(1) The Special Operating Rules and Regulations for the San Isidro (Shallow) Unit, Sandoval County, New Mexico, as promulgated and amended by Division Order Nos. R-9330 and R-9330-A, respectively, are hereby continued in full force until further order of the Division.

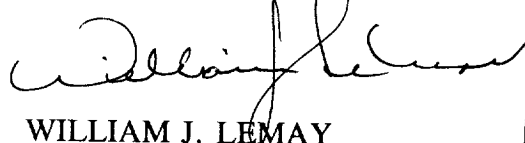
(2) Energy Development Corporation or the current operator of the Unit shall submit an annual report to the Division summarizing activity within the San Isidro (Shallow) Unit including drilling and production operations.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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