

**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 TO CONSIDER:**

**CASE NO. 15815
ORDER NO. R-14538**

**APPLICATION OF NEWTEX PARTNERS LLC FOR A NON-STANDARD OIL
SPACING AND PRORATION UNIT AND COMPULSORY POOLING, CHAVES
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 30, 2017, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 27th day of December, 2017, 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 the subject matter.

(2) NewTex Partners LLC (the "Applicant") seeks approval of a 320-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the San Andres formation, Wildcat; San Andres Pool (Pool code 97839), comprising the W/2 of Section 21, Township 7 South, Range 28 East, NMPM, Chaves County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the San Andres formation.

(3) The Unit will be dedicated to Applicant's Bonanza Well No. 5H (the "proposed well"; API No. 30-005-Pending), a horizontal well to be drilled from a surface location 200 feet from the North line and 1310 feet from the West line (Unit D) of Section 21, to a bottom-hole location 330 feet from the South line and 1310 feet from the West line (Unit M) of Section 21, both in Township 7 South, Range 28 East, NMPM. The location of the completed interval will be standard for this horizontal oil well within the Unit.

(4) The proposed well is considered as Wildcat for oil production from the San Andres formation and is therefore subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of eight adjacent quarter-quarter sections oriented north to south.

(5) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) the San Andres formation in this area is suitable for development by horizontal drilling;
 - (b) the proposed orientation of the horizontal well from north to south is appropriate for the Unit;
 - (c) all quarter-quarter sections to be included in the Unit are expected to be productive in the San Andres formation, so that the Unit as requested will not impair correlative rights;
 - (d) as of the hearing date, all parties had agreed to participate in this well; therefore, the request for compulsory pooling is no longer needed;
 - (e) there is no pool for production of oil from the San Andres formation in this vicinity and standard Unit sizes are expected to consist of quarter-quarter sections;
 - (f) the proposed well will be drilled approximately one mile and will be drilled very close to the center line of the 320-acres comprizing the W/2 of Section 21;
 - (g) the well will be completed with perforations and hydraulic fracturing treatments which will enable the well to produce oil and gas from all eight quarter-quarter sections (standard units) in the proposed Unit and produce it approximately equally;
 - (h) notice by certified mail was provided to the affected parties in quarter-quarter sections surrounding the proposed non-standard unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments, and whose whereabouts could be ascertained by exercise of reasonable diligence.
- (6) No other party appeared or otherwise opposed this application.

The Division concludes as follows:

(7) The hydraulic fracturing proposed for completion of this well should enable all eight quarter-quarter sections in the proposed Unit to be produced by the well if the well is drilled at the proposed location.

(8) The proposed non-standard unit should be approved to enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting correlative rights.

(9) The approval of this Unit should be contingent on drilling the well at the location proposed and completion with hydraulic fracture treatments.

(10) The portion of the application asking for compulsory pooling within this Unit should be dismissed without prejudice.

(11) Hadaway Consulting and Engineering, LLC (OGRID 371985) should be designated the operator of the proposed well and the Unit.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of NewTex Partners LLC, a 320-acre non-standard oil spacing and proration unit and project area (the "Unit") is hereby established for oil and gas production from the San Andres formation, Wildcat; San Andres Pool, comprising the W/2 of Section 21, Township 7 South, Range 28 East, NMPM, Chaves County, New Mexico.

(2) The Unit shall be dedicated to Applicant's Bonanza Well No. 5H (the "proposed well"; API No. 30-005-Pending), a horizontal well to be drilled from a surface location 200 feet from the North line and 1310 feet from the West line (Unit D) of Section 21, to a bottom-hole location 330 feet from the South line and 1310 feet from the West line (Unit M) of Section 21, both in Township 7 South, Range 28 East, NMPM. The location of the completed interval will be standard for this horizontal oil well within the Unit.

(3) Should the proposed well not be drilled as proposed near the center line of the Unit, then Ordering Paragraph (1) shall be of no further effect, and the Unit and project area created by this order shall terminate.

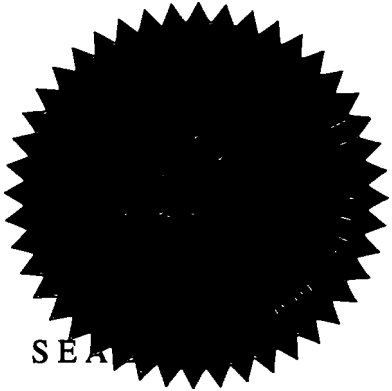
(4) If the proposed well is not completed by perforations and hydraulic fracturing along the length of the well as proposed, then the operator shall apply to the Division for an amendment to this order to contract the Unit so that it includes only those standard spacing units in which the well is completed and has developed by hydraulic fracturing.

(5) Hadaway Consulting and Engineering, LLC (OGRID 371985) is hereby designated the operator of the well and the Unit.

(6) The portion of this case requesting compulsory pooling of interests within the Unit is hereby dismissed without prejudice.

(7) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading 'David R. Catanach'.

DAVID R. CATANACH
Director