

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. 13917
ORDER NO. R-11374-C

APPLICATION OF HIGH PLAINS OPERATING COMPANY, LLC FOR
RESCISSION OF THE SPECIAL POOL RULES FOR THE SOUTHEAST
ARENA BLANCA-ENTRADA POOL, SANDOVAL COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 10, 2007, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 30th day of May, 2007, 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 its subject matter.
- (2) By Order No. R-11374, as amended, entered in Case No. 12387 on May 17, 2000, the Division, upon the application of Penwell Energy, Inc. ("Penwell"), created the Southeast Arena Blanca-Entrada Pool (Oil - 96899) comprising the N/2 of Section 8, Township 19 North, Range 4 West, NMPM, Sandoval County, New Mexico. Order No. R-11374, as amended, also established the "*Temporary Special Pool Rules for the Southeast Arena Blanca-Entrada Pool*" ("pool rules") which require standard 160-acre spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the spacing unit nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.
- (3) The applicant, High Plains Operating Co., LLC, ("applicant" or "High Plains") seeks the rescission of the "*Temporary Special Pool Rules for the Southeast Arena Blanca-Entrada Pool*", and seeks authority to develop this pool on standard 40-acre oil spacing in conformance with Division Rule No. 19.15.3.104.B.

(4) The Southeast Arena Blanca-Entrada Pool currently comprises the N/2 of Section 8, Township 19 North, Range 4 West, NMPM.

(5) Administrative notice was taken of the evidence presented in Case No. 12387.

(6) An examination of the evidence presented in Case No. 12387, which was presented to the Division on April 20, 2000, Case No. 12387 (Reopened) and Case No. 12387 (Reopened) presented to the Division, respectively, on June 14, 2001 and on August 1, 2002 demonstrates that:

- (a) the spacing initially established for the Southeast Arena Blanca-Entrada Pool was largely based upon geologic evidence. This geologic evidence showed that the discovery well for the pool, the Eagle Springs "8" Federal Well No. 1 (API No. 30-043-20949), located 263 feet from the North line and 2545 feet from the East line (Unit B) of Section 8, was located in the approximate center of an Entrada structure that encompassed approximately 194 acres. Since the well was also located at a structurally high position within the Entrada feature, Penwell's witnesses testified that the well would likely drain the entire structure. To coincide with the location of the structure, and in order to protect correlative rights, Order No. R-11387 also established a non-standard 160-acre spacing and proration unit comprising the E/2 NW/4 and the W/2 NE/4 of Section 8;
- (b) pursuant to the provisions of Order No. R-11374, Penwell was required to appear before the Division in May, 2001 to present evidence to show cause why the temporary special pool rules should not be rescinded. At the June 14, 2001 hearing, Penwell appeared and requested that the temporary special pool rules remain in effect for an additional 12-month period. Penwell based this request on its inability to obtain electric power at the Eagle Springs "8" Federal Well No. 1 in order to install a submersible pump in this well. Consequently, Penwell was unable to gather drainage data for the well. Penwell's request was granted by Order No. R-12374-A dated June 19, 2001, provided however, that Penwell was required, pursuant to this order, to

appear at a subsequent hearing to be held in June, 2002;

- (c) at the hearing held August 1, 2002 Penwell again appeared and requested that the temporary special pool rules remain in effect for an additional 12-month period. Penwell's request was approved by Order No. R-12374-B dated August 8, 2002. This order further stipulated that Penwell was to notify the Division at such time as electricity was obtained at the wellsite, and the Division would then determine how to proceed with reopening the case; and
- (d) subsequent to August 8, 2002 no further order has been issued by the Division regarding the Southeast Arena Blanca-Entrada Pool.

(7) Evidence presented by High Plains and Division records demonstrate that:

- (a) the Eagle Springs "8" Federal Well No. 1 is the only well that has produced from the Southeast Arena Blanca-Entrada Pool. After cumulatively producing approximately 30,010 barrels of oil from the Entrada formation, this well was plugged and abandoned by Synergy Operating, LLC, the successor operator of the well, in November, 2005;
- (b) it appears that High Plains will obtain electric power at the wellsite, and consequently, plans to re-enter the Eagle Springs "8" Federal Well No. 1 to test the effectiveness of producing the Entrada formation with a submersible pump; and
- (c) High Plains has examined the development of other similar Entrada pools in this area and has determined that these pools are generally drilled and developed on 40-acre spacing.

(8) High Plains is the lessee of Federal Leases No. NM-099704 and NM-099705 which encompass, respectively, all of Section 5, and all of Section 8, both in Township 19 North, Range 4 West, NMPM. According to applicant's geologic evidence, the productive limits of this Entrada structure are fully contained within Sections 5 and 8.

(9) According to applicant's further evidence, there are no additional parties entitled to notice of this case pursuant to Division Rule 19.15.14.1210.A(4).

(10) There is no evidence to support the continuation of 160-acre spacing within the Southeast Arena Blanca-Entrada Pool.

(11) Approval of the application will afford the applicant the opportunity to develop the Southeast Arena Blanca-Entrada Pool on the appropriate well spacing, and will not violate correlative rights.

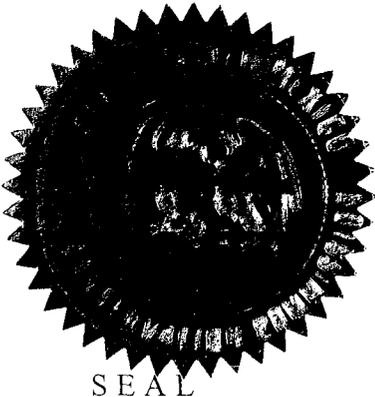
IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of High Plains Operating Company, LLC, the "Temporary Special Pool Rules for the Southeast Arena Blanca-Entrada Pool" as established by Division Order No. R-11374, as amended, are hereby **rescinded**.

(2) The Southeast Arena Blanca-Entrada Pool, which currently encompasses the N/2 of Section 8, Township 19 North, Range 4 West, NMPM, Sandoval County, New Mexico, shall hereinafter be governed by Division Rule 19.15.3.104.B.

(3) Jurisdiction is hereby 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 black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director