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October 15, 1996

Mike Stogner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, NM 87505

Re: Application of Thornton Operating Corporation for Pool Contraction, Pool Creation, Special Pool Rules, Non-Standard Spacing or Proration Unit, Directional Drilling, and an Unorthodox Well Location, Chaves County, New Mexico

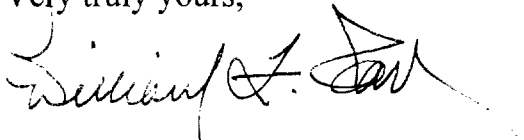
Dear Mr. Stogner:

Enclosed please find the original and two (2) copies of Thornton Operating Corporation's Proposed Order of the Division for your review and signature of Mr. LeMay.

Please call my secretary Martha once the Proposed Order has been signed and we will have it picked up.

Please contact me with any questions.

Very truly yours,



WILLIAM F. CARR

WFC/edr

Enclosure

cc: Robert Thornton, w/ enclosure

**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. 11615
ORDER NO. R-_____**

**APPLICATION OF THORNTON OPERATING
CORPORATION FOR POOL CONTRACTION,
POOL CREATION, SPECIAL POOL RULES,
NON-STANDARD SPACING OR PRORATION
UNIT, DIRECTIONAL DRILLING, AND AN
UNORTHODOX WELL LOCATION,
CHAVES COUNTY, NEW MEXICO.**

**THORNTON OPERATING CORPORATION'S
PROPOSED ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 3, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of October, 1996, 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) That the applicant, Thornton Operating Corporation ("Thornton"), seeks an order which does the following:

- a) Contracts the South Lone Wolf-Devonian Pool to exclude the NW/4 of Section 26 and the NE/4 of Section 27, Township 13 South, Range 29 East, NMPM;
- b) Creates a new pool for the production of oil from the Devonian formation underlying the SW/4 SW/4 of Section 23 and the NW/4 NW/4 of Section 26, Township 13 South, Range 29 East, NMPM;
- c) Promulgates Special Pool Rules and Regulations for the new pool including provisions for 80-acre spacing and proration units and well locations and well locations within 150 feet of the center of a governmental quarter-quarter section:
- d) Approves a non standard oil proration unit comprised of the SW/4 SW/4 of said Section 23 and the NW/4 NW/4 of said Section 26; and
- e) authorizes Thornton to re-enter the McClellan Federal No. 1 Well from the previously approved surface location 182 feet from the North line and 507 feet from the West line of said Section 26 and directionally drill to a bottom hole location within 100 feet of a point 148 feet from the South line and 177 feet from the West line of said Section 23.

(3) The S/2 SW/4 of said Section 23 and the N/2 NW/4 of said Section 26 was originally included in the West King Camp Unit, a 160-acre federal unit (Unit agreement NMNM-92016X), which was developed from 3D seismic data. The McClellan Federal Well No. 1, the initial well on the unit, was drilled as a 9,862 foot Devonian test during September 1995.

(4) Although the well initially appeared to be commercial, during completion attempts poor flow rates were obtained and in May 1996 it was shut in and the BLM was advised of plans to plug the well. the BLM terminated the unit effective April 30, 1996.

(5) Thornton has entered agreements with the other working interest owners in the unit area to take over the well and return the area to production but the BLM has advised Thornton that it would be difficult to extend this unit because the geology which justified the unit had been testified.

(6) Thornton presented evidence which demonstrates that the acreage which it proposes be included in the new pool is a separate reservoir within the Devonian formation and the South Lone Wolf-Devonian Pool should be contracted to exclude the NW/4 of Section 26 and the NE/4 of Section 27, Township 13 South, Range 29 East, NMPM, and a new pool for production of oil from the Devonian formation should be created to be comprised of the following acreage:

TOWNSHIP 13 SOUTH, RANGE 29 EAST, N.M.P.M.

Section 23:	SW/4 SW/4
Section 26:	NW/4 NW/4

(7) Data available on the McClellan Federal Well No. 1 shows that upon recompletion it should effectively and efficiently drain this entire reservoir and therefore Special Pool Rules and Regulations should be adopted for this pool which provide for 80-acre spacing and proration units and require wells to be drilled within 150 feet of the center of a governmental quarter-quarter section.

(8) A non-standard spacing and proration unit comprised of the SW/4 SW/4 of said Section 23 and the NW/4 NW/4 of said Section 26 should be approved and dedicated to the McClellan Federal Well No.1 in the new Pool.

(9) Approval of this non-standard spacing and proration unit will result in each interest owner in the pool receiving its fair share of the production from the subject well and pool, thereby assuring that the correlative rights will be protected.

(10) Reentry of the McClellan Federal Well No. 1 and directionally drilling to a bottom hole location within 100 feet of a point 148 feet from the South line and 177 feet of the West line of said Section 23 will reduce the costs associated with the proposed reentry and will enable Thornton to gain approximately 15 feet of structure in this formation thereby resulting in the more efficient recovery of oil from this pool and preventing waste.

(11) The application of Thornton Operating Corporation should be **approved** .

IT IS THEREFORE ORDERED THAT:

(1) The South Lone Wolf-Devonian Pool is hereby contracted to exclude the NW/4 of Section 26 and the NE/4 of Section 27, Township 13 South, Range 29 East, NMPM, Chaves County, New Mexico.

(2) A new pool for Devonian production is hereby created and designated the West King Camp-Devonian Pool with vertical limits comprising the Devonian formation and with horizontal limits comprised of the following described acreage:

TOWNSHIP 13 SOUTH, RANGE 29 EAST, N.M.P.M.

Section 23:	SW/4 SW/4
Section 26:	NW/4 NW/4

(3) Special Rules and Regulations governing operations within the West King Camp-Devonian Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
WEST KING CAMP-DEVONIAN POOL**

RULE 1. Each well completed or recompleted in the West King Camp-Devonian Pool or in the Devonian formation within one mile thereof, and not nearer to or within the limits of another designated Devonian oil pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. For good cause shown the Director may grant an exception to the requirements of Rule 2 without notice and hearing when the application is for a non-standard unit comprising a single quarter-quarter section or lot. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the

application shall state that such notice has been furnished. The Director may approve the application if, after a period of 30 days, no offset operator has entered an objection to the formation of such non-standard unit.

The allowable assigned to any such non-standard unit shall bear the same ratio to a standard allowable in the West King Camp-Devonian Pool as the acreage in such non-standard unit bears to 80 acres.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proration unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished.

The Director may approve the application upon receipt of written waivers from all operators offsetting the proration unit or if no written objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. Top unit allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 355 barrels of oil per day, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

(4) The applicant, Thornton Operating Corporation, is hereby authorized to re-enter its McClellan Federal No. 1 Well located at a previously approved unorthodox location (approved by Division Order R-10295) 182 feet from the North line and 507 feet from the West line (Unit A) of Section 26, Township 13 South, Range 29 East, NMPM, Chaves County, New Mexico, kick off from vertical and directionally drill the Subject well in a northwesterly direction to an unorthodox bottom hole oil well location in the West King Camp-Devonian Pool within 100 feet of a point 148 feet from the South line and 177 feet from the West line (Unit M) of Section 23.

(5) A non-standard spacing and proration unit for the Devonian formation comprised of the SW/4 SW/4 of said Section 23 and the NW/4 NW/4 of Section 26 shall be dedicated to the subject well.

(6) The applicant shall conduct a directional survey of the well prior to initiating directional drilling operations and subsequent to completion of such operations in order that the bottom hole location of the well may be verified to be in compliance with the terms of this order.

(7) The applicant shall notify the supervisor of the Division's Artesia district office of the date and time of the conductance of any directional survey on the subject well in order that the same may be witnessed. In addition, subsequent to the conductance of such directional surveys, copies of these surveys shall be furnished to the Santa Fe and Artesia offices of the Division.

(8) 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

WILLIAM J. LEMAY
Director

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