



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

May 4, 2000

#12425

**Manzano Oil Corporation
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504**

Re: *Application of Manzano Oil Corporation for an unorthodox bottomhole oil well location within a standard 80-acre oil spacing and proration unit comprising Lots 12 (Unit L) and 13 (Unit M) of Irregular Section 1, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico for its Cayuma Well No. 1 recently drilled to a point within the Strawn formation of the Undesignated Northeast Lovington-Pennsylvanian Pool 3807 feet from the South line and 1179 feet (which is 72 % closer to the unit line then allowed) (Lot 13/Unit M) of Irregular Section 1, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico.*

Dear Mr. Bruce:

My review of this matter indicates the following:

- (i) That this unit is located within the governing limits of the Northeast Lovington-Pennsylvanian Pool which, pursuant to Division Order No. R-3816, as amended, require 80-acre spacing and proration units each comprising of the N/2, S/2, E/2, or W/2 of a governmental quarter section (or equivalent) and designated well location requirements such that each well drilled in this pool is to be within 150 feet of the center of a governmental quarter-quarter section or lot;
- (ii) Concho Resources, Inc. originally drilled the Cayuma Well No. 1 (**API No. 30-025-3448**) from a surface location 3580 feet from the South line and 990 feet from the West line (Lot 13/Unit M) of Section 1 to a bottomhole location within the Strawn formation 3169 feet from the South line and 636 feet from the West line of Section 1 in April, 1999 under the provisions of Rule 111;
- (iii) In May, 1999 Concho Resources, Inc. plugged and abandoned this well after it tested dry;
- (iv) By Division Administrative Order NSL-4417, dated March 2, 2000, Manzano Oil Corporation was granted authorization to re-enter this well, drill vertically for economical reasons from the surface location, and recompleat at this unorthodox location (which is 35 % closer to the unit line then allowed) in order to further test the Strawn interval underlying this 80-acre unit; and

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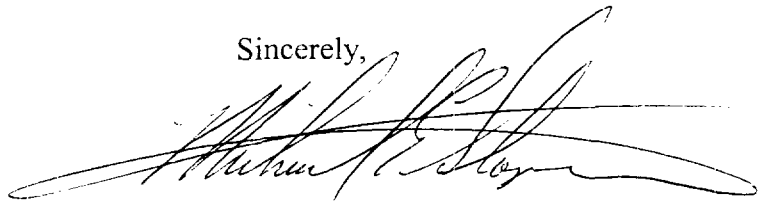
- (v) The immediate application to amend Administrative Order NSL-4417, dated April 4, 2000, to reflect the actual bottomhole location of the Cayuma Well No. 1 at a more unorthodox location for this 80-acre unit (3807' FSL & 1179' FWL of Section 1) is inadequate, incomplete, and requires further explanation by those involved with the decision to deepen and/or directionally drill this well.

This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for June 1, 2000 and will be advertised in the following manner:

Application of Manzano Oil Corporation for an unorthodox subsurface oil well location, Lea County, New Mexico. Applicant, in accordance with Division Rule 111.C (2), seeks an exception to Rule 4 of the "Special Rules and Regulation for the Northeast Lovington-Strawn Pool", as promulgated by Division Orders No. R-3816 and R-3816-A, amending Division Administrative Order NSL-4417 in order to change the provisions contained therein to reflect the actual bottomhole location of its Cayuma Well No. 1 (API No. 30-025-3448) being 3807 feet from the South line and 1179 feet (72 % closer then allowed) (Lot 13/Unit M) of Irregular Section 1, Township 16 South, Range 36 East. Lots 12 and 13 of Irregular Section 1 (which is located approximately two miles east-northeast of Lovington, New Mexico) are to be dedicated to this well in order to form a standard 80-acre oil spacing and proration unit for this pool.

Thank you for your cooperation in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Ms. Kathy Valdes - NMOCD, Santa Fe
Ms. Florene Davidson - NMOCD