

# HINKLE, COX, EATON, COFFIELD & HENSLEY

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\*NOT LICENSED IN NEW MEXICO

January 5, 1994

## HAND DELIVERED

JAN -- 5

William J. LeMay  
Oil Conservation Division  
State Land Office Building  
Santa Fe, New Mexico 87504

Dear Mr. LeMay:

Enclosed are an original and two (2) copies of a Pre-Hearing Statement in Case No. 10,890 (Santa Fe Energy).

Very truly yours,

HINKLE, COX, EATON,  
COFFIELD & HENSLEY

  
James Bruce

JB:jr  
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:

JAN - 5

APPLICATION OF SANTA FE ENERGY  
OPERATING PARTNERS, L.P. FOR AN  
UNORTHODOX OIL WELL LOCATION,  
LEA COUNTY, NEW MEXICO.

CASE NO. 10,890

**PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by Applicant as required by the Oil Conservation Division.

**APPEARANCE OF PARTIES**

**APPLICANT**

Santa Fe Energy Operating  
Partners, L.P.  
Suite 1330  
500 West Texas  
Midland, Texas 79701  
(915) 687-3551  
Attention: J. Strickler

**ATTORNEY**

James Bruce  
Hinkle, Cox, Eaton,  
Coffield & Hensley  
Post Office Box 2068  
Santa Fe, New Mexico 87504  
(505) 982-4554

**OPPOSITION OR OTHER PARTY**

**ATTORNEY**

**STATEMENT OF CASE**

**APPLICANT**

Applicant proposes to drill its Kachina 5 Fed. Well No. 7 in the South Corbin-Wolfcamp Pool at a location 2130 feet from the North line and 990 feet from the West line of Section 5, Township 18 South, Range 33 East. The location in the SW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 5 was selected to avoid an existing well. However, the applicant desires to remain in the SW $\frac{1}{4}$ NW $\frac{1}{4}$  to conform with the well location pattern in the pool.

**OPPOSITION**

**PROPOSED EVIDENCE**

**APPLICANT**

	<b>WITNESSES</b>	<b>EST. TIME</b>	<b>EXHIBITS</b>
1.	James Strickler (Landman)	10 minutes	(a) Land plat (b) Notice Letter
2.	Gene Davis (Geologist)	10 minutes	(a) Isopach of Wolfcamp formation

**OPPOSITION**

**WITNESSES**

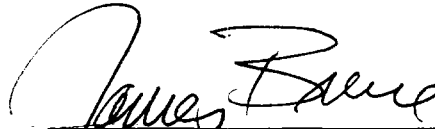
**EST. TIME**

**EXHIBITS**

**PROCEDURAL MATTERS**

Respectfully submitted,

HINKLE, COX, EATON,  
COFFIELD & HENSLEY



James Bruce  
Post Office Box 2068  
Santa Fe, New Mexico 87504-2068  
(505) 982-4554

Attorneys for Santa Fe Energy  
Operating Partners, L.P.

(ALSTON RANCH-UPPER PENNSYLVANIAN POOL -  
Cont'd.)

RULE 3. The Director of the Division may grant an exception to the requirements of Rule 2 without hearing when an application has been filed 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 upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well drilled in the Alston Ranch-Upper Pennsylvanian Pool shall be located within 150 feet of the center of a governmental quarter-quarter section.

RULE 5. The 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 proposed unorthodox location 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 offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) in the Alston Ranch-Upper Pennsylvanian Pool shall be assigned an 80-acre depth bracket allowable of 400 barrels for allowable purposes, 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.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable in the Alston Ranch-Upper Pennsylvanian Pool as the acreage in such non-standard unit bears to 80 acres.

## IT IS FURTHER ORDERED THAT:

(4) The locations of all wells, with the exception of said Elkan "A" Well No. 1, presently drilling to or completed in the Alston Ranch-Upper Pennsylvanian Pool or in any formation from the base of the Wolfcamp formation to the top of the Canyon formation within one mile thereof, and not nearer to or within the limits of another designated Upper Pennsylvanian Pool, are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well on or before July 1, 1986.

(5) Pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, existing wells in the Alston Ranch-Upper Pennsylvanian Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Alston Ranch-Upper Pennsylvanian Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1), above, or within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(6) This case shall be reopened at an examiner hearing in May 1988, at which time the operators in the subject pool may appear and show cause why the Alston Ranch-Upper Pennsylvanian Pool should not be developed on 40-acre spacing units.

(7) Jurisdiction of this cause 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.

SOUTH CORBIN-WOLFCAMP POOL  
Lea County, New Mexico

Order No. R-8181-B, Adopting Temporary Operating Rules for the South Corbin-Wolfcamp Pool, Lea County, New Mexico, May 20, 1986.

Application of Southland Royalty Company  
for Special Pool Rules, Lea County, New  
Mexico.

CASE NO. 8802 DE NOVO  
Order No. R-8181-B

## ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. at Santa Fe, New Mexico, on April 9, 1986, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 20th day of May, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

## FINDS THAT:

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

## (SOUTH CORBIN-WOLFCAMP POOL - Cont'd.)

(2) The applicant, Southland Royalty Company, seeks the promulgation of special pool rules for the South Corbin-Wolfcamp Pool, Lea County, New Mexico, including a provision for 80-acre spacing units.

(3) By Order No. R-3342, effective December 1, 1967, the Commission created the South Corbin-Wolfcamp Pool as a result of the completion of the Aztec Oil and Gas Company Federal "MA" Well No. 2 located in Unit I of Section 21, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico.

(4) Although the development of said pool has resulted in wells being drilled on what constitutes an 80-acre spacing pattern, it has remained since its creation governed by general statewide 40-acre spacing units.

(5) Geological and engineering evidence presented at the hearing showed that wells in the South Corbin-Wolfcamp Pool may be capable of draining 80-acre spacing units.

(6) Evidence and testimony at the hearing demonstrated that drilling wells in the South Corbin-Wolfcamp Pool on 40-acre spacing is uneconomical at the present time and may result in the drilling of unnecessary wells.

(7) Adoption of temporary special pool rules including provisions for 80-acre spacing would encourage continued drilling of South Corbin-Wolfcamp Pool wells, thereby producing oil which might not otherwise be produced, thereby preventing waste.

(8) In order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the South Corbin-Wolfcamp Pool as previously defined and described.

(9) The temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(10) The temporary special rules and regulations should be established for an 18-month period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(11) Unless called earlier, this case should be reopened at an Oil Conservation Division examiner hearing in October, 1987, at which time the operators in the subject pool should be prepared to appear and show cause why the South Corbin-Wolfcamp Pool should not be developed on 40-acre spacing units.

## IT IS THEREFORE ORDERED THAT:

(1) Temporary Special Rules and Regulations for the South Corbin-Wolfcamp Pool, Lea County, New Mexico, as previously defined and described, are hereby promulgated as follows:

## TEMPORARY SPECIAL RULES AND REGULATIONS FOR THE SOUTH CORBIN-WOLFCAMP POOL

RULE 1. Each well completed or recompleted in the South Corbin-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof, and not nearer to or within the limits of another designated Wolfcamp 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 a 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. The Director of the Oil Conservation Division, hereinafter referred to as the "Division", may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a nonstandard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. 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 upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

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 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 proposed location 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 proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 445 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

## IT IS FURTHER ORDERED THAT:

(1) The locations of all wells presently drilling to or completed in the South Corbin-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well on or before July 1, 1986.

(2) Pursuant to Paragraph A. of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the South Corbin-Wolfcamp Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the South Corbin-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

## (SOUTH CORBIN-WOLFCAMP POOL - Cont'd.)

(3) Unless called earlier upon the motion of the Division, the case shall be reopened at an examiner hearing in October, 1987, at which time the operators in the subject pool should be prepared to appear and show cause why the South Corbin-Wolfcamp Pool should not be developed on 40-acre spacing units.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

**NORTHEAST OJITO GALLUP-DAKOTA POOL**  
Rio Arriba County, New Mexico

Order No. R-8188-A, Creating and Adopting Temporary Operating Rules for the Northeast Ojito Gallup-Dakota Pool, Rio Arriba County, New Mexico, June 1, 1986, as Amended by Order No. R-8188-B, December 1, 1987.

Application of Amoco Production Company  
for Pool Creation and Special Pool Rules, Rio  
Arriba County, New Mexico.

CASE NO. 8822 De Novo  
Order No. R-8188-A

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:** This cause came on for hearing at 9 a.m. on May 20, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 27th day of June, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

**FINDS THAT:**

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

(2) The applicant, Amoco Production Company, seeks an order deleting a portion of the Ojito Gallup-Dakota Oil Pool and creating the Northeast Ojito Gallup-Dakota Oil Pool with special pool rules including a provision for 160-acre spacing, Rio Arriba County, New Mexico.

(3) Notice was given to all interested parties to appear and participate in the hearing.

(4) Of those parties notified, Minel Inc. and Union Texas Petroleum Corporation appeared in opposition to the applicant.

(5) The applicant presented geologic and engineering evidence to demonstrate that the Gallup formation in the proposed new pool area was in fact in the same common source of supply with the Ojito Gallup-Dakota Oil Pool, but has producing characteristics sufficiently different to require the creation of such new pool.

(6) Certain of the Amoco wells in the proposed new pool area have high initial potential rates and sustained high production over a six (6) month period that indicate that the production of those wells is enhanced by natural fracturing.

(7) At the conclusion of the applicant's presentation and prior to the opponent's presentation, the parties to the hearing entered into an agreement acceptable to the Commission concerning this case.

(8) By agreement of the parties to the hearing, and in order to obtain additional data and to preserve the status quo during the temporary period, the creation of a special pool with 160-acre spacing on a temporary basis of 24 months protects the correlative rights of the interest owners involved.

(9) Applicant's evidence and testimony at the hearing demonstrated that drilling wells in the proposed Northeast Ojito Gallup-Dakota Oil Pool on 40-acre spacing is uneconomical at the present time and may result in the drilling of unnecessary wells.

(10) Applicant's engineering evidence presented at the hearing tended to demonstrate that certain wells in the proposed Northeast Ojito Gallup-Dakota Oil Pool are capable of effectively and efficiently draining 160-acre spacing units. However, such evidence is not conclusive and the development of appropriate spacing for this pool will require further study and development of factual and technical data.

(11) Adoption of temporary special pool rules including provisions for 160-acre spacing would encourage continued drilling in said proposed pool, thereby producing oil which might not otherwise be produced, thereby preventing waste.

(12) In order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 160-acre spacing units should be promulgated for the proposed Northeast Ojito Gallup-Dakota Oil Pool.

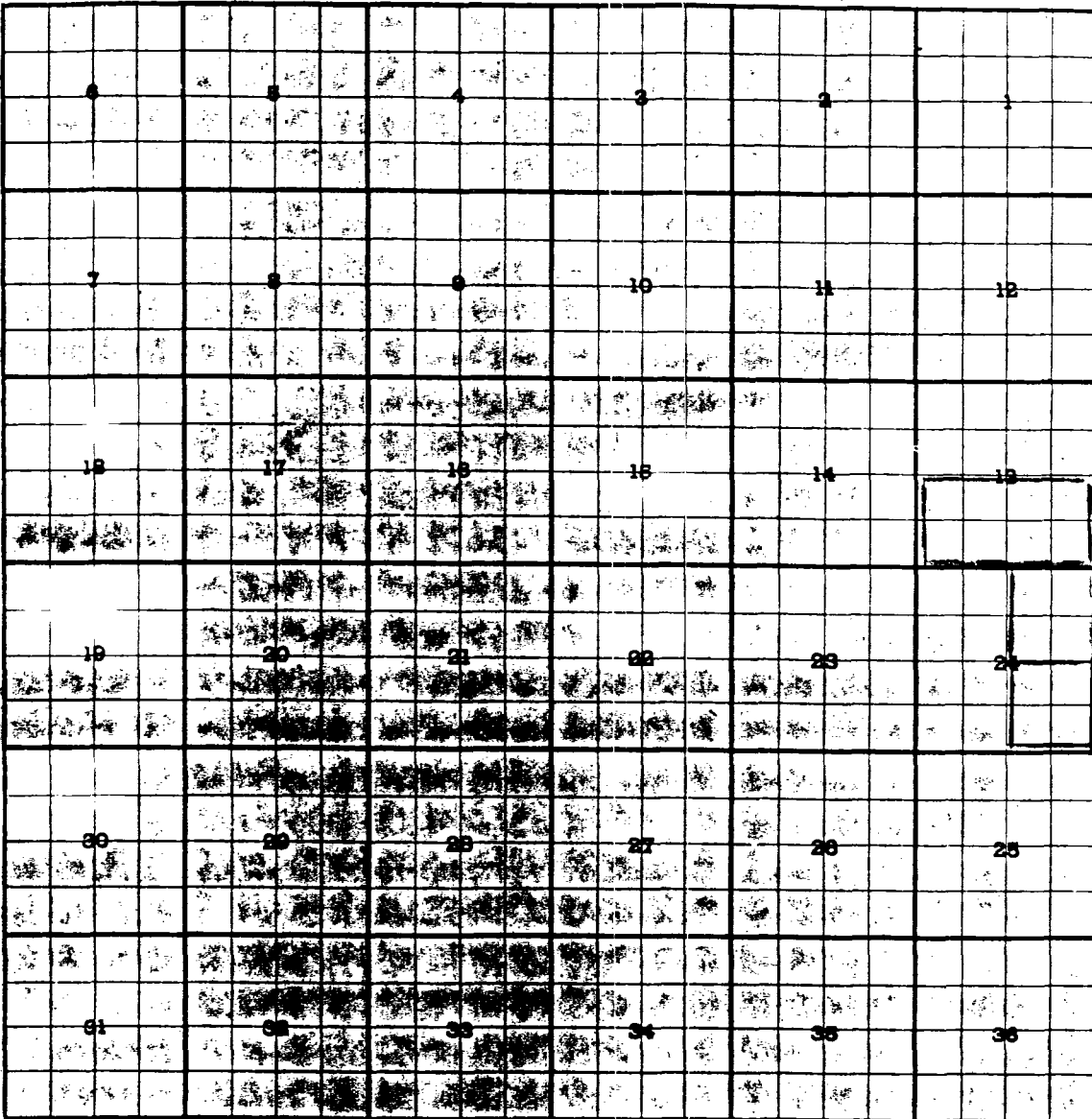
(13) The temporary special rules should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(14) The temporary special rules should be established for a 24-month period in order to allow the operators in the subject pool to gather reservoir information to establish whether the temporary rules should be made permanent.

(15) This case should be reopened at an Oil Conservation Division examiner hearing in June, 1988, at which time the operators in the subject pool should be prepared to appear and show cause why the Northeast Ojito Gallup-Dakota Oil Pool should not be developed on 40-acre spacing units.

County Lea Pool South Corbin - Wolfcamp

TOWNSHIP 18 South, RANGE 32 East, NEW MEXICO PRINCIPAL MERIDIAN



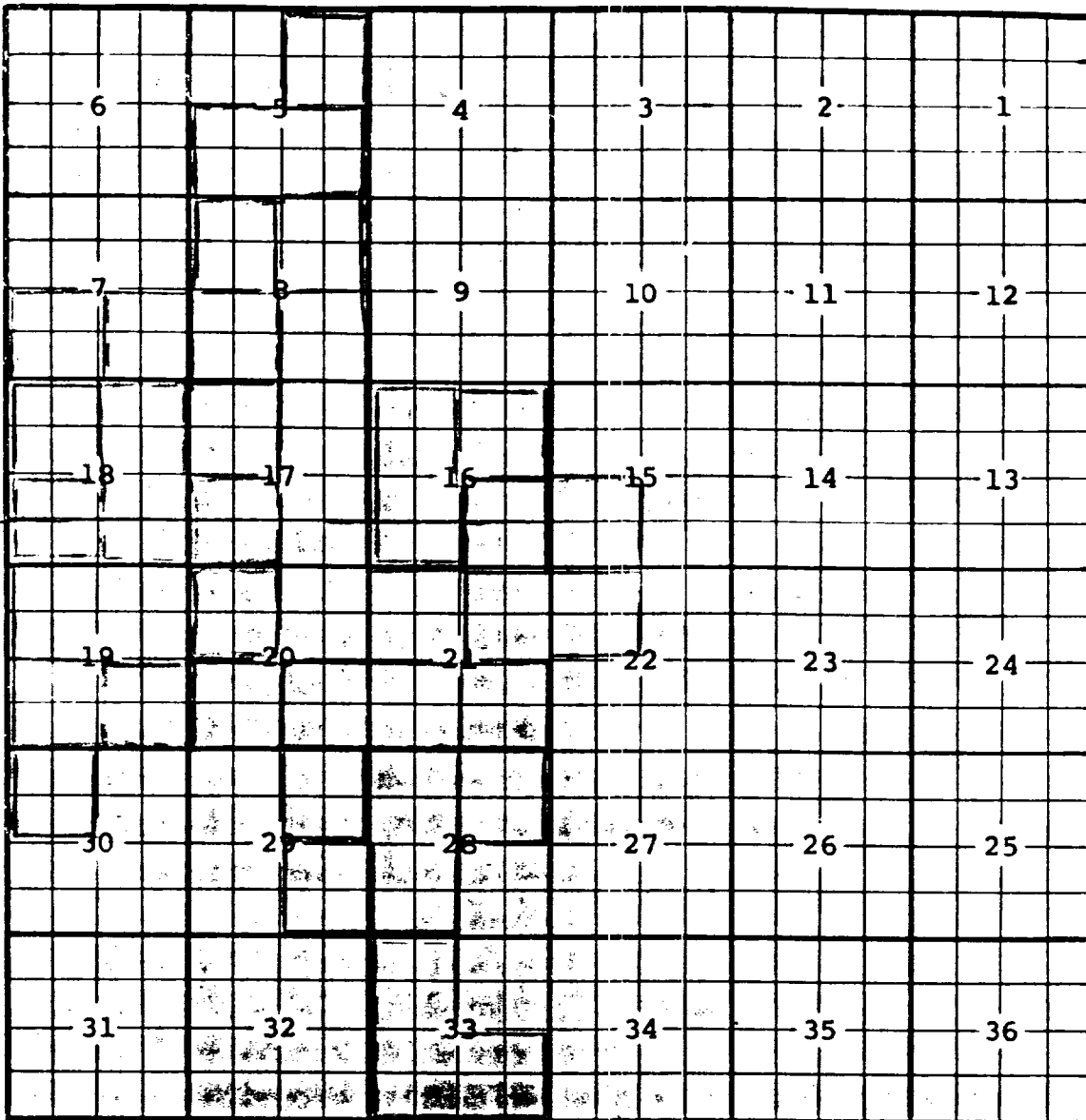
EXT:  $\frac{S}{2}$  SEC. 13 (R-8646, 11-2-88) EXT:  $\frac{SE}{4}$  SEC. 24 (R-9345, 11-7-90)

EXT:  $\frac{NE}{4}$  SEC. 24 (R-9345, 11-7-90)

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COUNTY LeaPOOL South Corbin - WolfcampTOWNSHIP 18 SouthRANGE 33 East

NMPM

Description: SE $\frac{1}{4}$  Sec. 21 (R-3342, 12-1-67)Ext: SE $\frac{1}{4}$  Sec. 20; SW $\frac{1}{4}$  Sec. 21 (R-3367, 2-1-68) - NE $\frac{1}{4}$  Sec. 29 (R-3438, 7-1-68)Ext: SW $\frac{1}{4}$  Sec. 20 (A-5987, 4-1-79) Ext: W $\frac{1}{2}$  Sec. 28 (R-6368, 7-1-80)Ext: W $\frac{1}{2}$  and SE $\frac{1}{4}$  Sec. 33 (A-6657, 4-20-81)Ext: Sec. 17 SW $\frac{1}{4}$ , 18 E $\frac{1}{2}$ , 20 NW $\frac{1}{4}$  (R-7114, 10-19-82)Ext: NW $\frac{1}{4}$  Sec. 17 (R-8075, 11-8-85) Ext: NE $\frac{1}{4}$  Sec. 21, NW $\frac{1}{4}$  Sec. 22 (R-8340, 11-3-86)Ext: SE $\frac{1}{4}$  Sec. 16 (R-8461, 6-25-87) Ext: SW $\frac{1}{4}$  Sec. 8 (R-8668, 6/10/88)Ext: W $\frac{1}{2}$  Sec. 16, SW $\frac{1}{4}$  Sec. 18 (R-8696, 7/22/88) Ext: SE $\frac{1}{4}$  Sec. 8, E $\frac{1}{2}$  Sec. 17Ext: NE $\frac{1}{4}$  Sec. 20, NW $\frac{1}{4}$  Sec. 21 (R-8901, 4-1-89) Ext: SE $\frac{1}{4}$  Sec. 19 (R-9095, 1-1-90)Ext: SE $\frac{1}{4}$  Sec. 7, NW $\frac{1}{4}$  Sec. 18 (R-9120, 3-1-90)Ext: NE $\frac{1}{4}$  Sec. 28 (R-9271, 8-28-90) Ext: SW $\frac{1}{4}$  Sec. 19 (R-9345, 11-7-90)Ext: NW $\frac{1}{4}$  Sec. 8 (R-9472, 4-1-91) Ext: S $\frac{1}{2}$  Sec. 5, SW $\frac{1}{4}$  Sec. 7 (A-9544, 7-1-91)Ext: N $\frac{1}{2}$  Sec. 19 (R-9585, 4-30-91) Ext: NW $\frac{1}{4}$  Sec. 30 (A-9685, 6-30-92)Ext: NE $\frac{1}{4}$  Sec. 16, SE $\frac{1}{4}$  Sec. 29 (R-9723, 9-25-92)

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Ext: NE 1/4 Sec. 5, SW 1/4 Sec. 15 (R-9843, 8-17-93)  
Ext: NE 1/4 Sec. 8 (R-9937, 8-17-93)

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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT

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OIL CONSERVATION DIVISION  
P. O. BOX 2088  
SANTA FE, NEW MEXICO 87501

Form C-104  
Revised 10-01-78  
Format 06-01-83  
Page 1

REQUEST FOR ALLOWABLE  
AND  
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

I. Operator OXY USA Inc.

Address P. O. Box 50250, Midland, TX 79710

Reason(s) for filing (Check proper box)	Other (Please explain)
<input type="checkbox"/> New Well	<u>Change of operator's name</u> <u>effective April 1, 1988</u>
<input type="checkbox"/> Recompletion	
<input checked="" type="checkbox"/> Change in Ownership	
Change in Transporter of:	
<input type="checkbox"/> Oil	<input type="checkbox"/> Dry Gas
<input type="checkbox"/> Casinghead Gas	<input type="checkbox"/> Condensate

If change of ownership give name and address of previous owner Cities Service Oil & Gas Corp., P. O. Box 50250, Midland, TX 79710

II. DESCRIPTION OF WELL AND LEASE

Lease Name <u>Wyatt A Federal</u>	Well No. <u>6</u>	Pool Name, including Formation <u>Corbin Queen</u>	Kind of Lease State, Federal or Fee <u>Federal</u>	Lease No. <u>IC-062391</u>
Location				
Unit Letter <u>E</u>	<u>1980</u> Feet From The <u>North</u> Line and <u>660</u> Feet From The <u>West</u>			
Line of Section <u>5</u>	Township <u>18S</u>	Range <u>33E</u>	NMPM, <u>Lea</u>	County

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input checked="" type="checkbox"/> or Condensate <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
<u>Texas-New Mexico Pipeline Company</u>	<u>P. O. Box 2528 - Hobbs, New Mexico 88240</u>
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
<u>NONE</u>	
If well produces oil or liquids, give location of tanks.	Unit Sec. Twp. Rge. Is gas actually connected? When
<u>E</u>	<u>5 18S 33E NO</u>

If this production is commingled with that from any other lease or pool, give commingling order number: \_\_\_\_\_

NOTE: Complete Parts IV and V on reverse side if necessary.

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given is true and complete to the best of my knowledge and belief.

F. A. Vitrano

(Signature) F. A. Vitrano

District Operations Manager - Production

(Title)

March 15, 1988

(Date)

OIL CONSERVATION DIVISION

APPROVED APR 25 1988, 19  
BY [Signature]  
TITLE Geologist

This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for allowable on new and recompleted wells.

Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.

Separate Forms C-104 must be filed for each pool in multiphase completed wells.

# HINKLE, COX, EATON, COFFIELD & HENSLEY

LEWIS C. COX  
PAUL W. EATON  
CONRAD E. COFFIELD  
HAROLD L. HENSLEY, JR.  
STUART D. SHANOR  
ERIC D. LANPHERE  
C. D. MARTIN  
ROBERT P. TINNIN, JR.  
MARSHALL G. MARTIN  
OWEN M. LOPEZ  
DOUGLAS L. LUNSFORD  
JOHN J. KELLY  
NICHOLAS J. NOEDLING  
\* CALDER EZZELL, JR.  
WILLIAM B. BURFORD\*  
RICHARD E. OLSON  
RICHARD R. WILFONG\*  
THOMAS J. MCBRIDE  
JAMES J. WECHSLER  
NANCY E. CUSACK  
JEFFREY L. FORNACIAR.  
JEFFREY D. HEWETT  
JAMES BRUCE  
JERRY F. SHACKELFORD\*  
JEFFREY W. HELLBERG\*  
ALBERT L. PITTS  
\*THOMAS M. HNASKO  
JOHN C. CHAMBERS\*  
GARY D. COMPTON\*  
MICHAEL A. GROSS  
THOMAS D. HAINES, JR.  
GREGORY J. NIBERT\*  
DAVID T. MARKETTE\*  
MARK C. DOW

FRED W. SCHWEND-MANN  
JAMES M. HUDSON  
JEFFREY S. BAIRD\*  
REBECCA NICHOLS JOHNSON  
WILLIAM P. JOHNSON  
STANLEY K. KOTOVSKY, JR.  
H. R. THOMAS  
ELLEN S. CASEY  
MARGARET CARTER LUDEWIG  
S. BARRY PASNER  
STEPHEN M. CRAMPTON  
MARTIN MEYERS  
GREGORY S. WHEELER  
ANDREW J. CLOUTIER  
JAMES A. GILLESPIE  
GARY W. LARSON  
STEPHANIE LANDRY  
JOHN R. KULSETH, JR.  
MARGARET P. MCNETT  
BRIAN T. CARTWRIGHT\*  
LISA K. SMITH\*  
ROBERT H. BETHEA\*  
BRADLEY W. HOWARD  
CHARLES A. SUTTON  
NORMAN D. EWART  
DARREN T. GROCE\*  
MOLLY MCINTOSH  
MARCIA B. LINCOLN  
SCOTT A. SHUART\*  
DARREN L. BROOKS  
CHRISTINE E. LALE  
PAUL G. NASON  
DARLA M. SILVA

## ATTORNEYS AT LAW

218 MONTEZUMA

POST OFFICE BOX 2068

SANTA FE, NEW MEXICO 87504-2068

(505) 982-4554

FAX (505) 982-8623

CLARENCE E. HINKLE (190-1985)  
W. E. BONDURANT, JR. (1913-1973)  
ROY C. SNODGRASS, JR. (1944-1987)

OF COUNSEL  
O. M. CALHOUN\*  
MACK EASLEY  
JOE W. WOOD  
RICHARD S. MORRIS

WASHINGTON, D.C.  
SPECIAL COUNSEL  
ALAN J. STATMAN\*

700 UNITED BANK PLAZA  
POST OFFICE BOX 10  
ROSWELL, NEW MEXICO 88202  
(505) 622-6510  
FAX (505) 623-9332

2800 CLAYDESTA CENTER  
6 DESTA DRIVE  
POST OFFICE BOX 3580  
MIDLAND, TEXAS 79702  
(915) 683-4691  
FAX (915) 683-6518

1700 TEAM BANK BUILDING  
POST OFFICE BOX 9238  
AMARILLO, TEXAS 79105  
(806) 372-569  
FAX (806) 372-9761

500 MARQUETTE N.W., SUITE 800  
POST OFFICE BOX 2043  
ALBUQUERQUE, NEW MEXICO 87103  
(505) 768-1500  
FAX (505) 768-1529

\*NOT LICENSED IN NEW MEXICO

January 7, 1994

## HAND DELIVERED

Michael E. Stogner  
Oil Conservation Division  
State Land Office Building  
Santa Fe, New Mexico 87502

Re: Case No. 10890 (Santa Fe Energy)

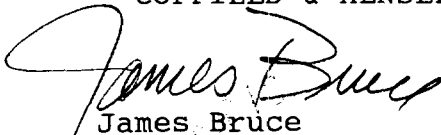
Dear Mr. Stogner:

Enclosed are two (2) copies of the certified mail "green cards" regarding notice to the offsetting working interest owners, which should be attached to Exhibit 2. Thank you for letting us submit them after the hearing.

Because there is a farmout expiring on January 22, 1994, I have taken the liberty of drafting a proposed order. A copy of the order is enclosed, together with a disk containing the order. Thank you for your attention to this matter.

Very truly yours,

HINKLE, COX, EATON,  
COFFIELD & HENSLEY

  
James Bruce

JB:jr  
Enclosures

8501 W  
HOLSTINE

Is your RETURN ADDRESS completed on the reverse side?

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

OXY USA, INC.  
P.O. Box 50250  
Midland, Texas 79710  
Attn: Mike Gooden

4a. Article Number

P 237 027 889

4b. Service Type

- ☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991

U.S. GPO: 1992-323-402

DOMESTIC RETURN RECEIPT

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address  
2. ☐ Restricted Delivery

Consult postmaster for fee.

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
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3. Article Addressed to:

B C & D Operating  
P.O. Box 5926  
Hobbs, New Mexico 88241

4a. Article Number

P 237 027 888

4b. Service Type

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☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

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- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

ATTN: Melissa Randle  
HARVEY E. YATES COMPANY  
P.O. Box 1933  
One Southwest Centre  
Roswell, New Mexico 88202-1933

4a. Article Number

P 237 027 885

4b. Service Type

- ☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)

6. Signature (Agent)

PS Form 3811, December 1991

U.S. GPO: 1992-323-402

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- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

ATTN: JAMES H. YATES  
JAMES H. YATES, INC.  
906 S. ST. FRANCIS DR. SUITE 100  
SANTA FE NEW MEXICO 87505

4a. Article Number

P 237 027 881

4b. Service Type

- ☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)

6. Signature (Agent)

PS Form 3811, December 1991

U.S. GPO: 1992-323-402

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- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

Zachary Oil Operating  
P.O. Box 80100  
Midland, Texas 79709

4a. Article Number  
P 237 027 886

4b. Service Type  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery  
12-14-93

5. Signature (Addressee)  
*Zachary*

6. Signature (Agent)

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address

2. ☐ Restricted Delivery

Consult postmaster for fee.

8. Addressee's Address (Only if requested and fee is paid)

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3. Article Addressed to:

James H. Yates, Inc.  
Colkelan Corporation  
906 S. St. Francis Dr.,  
Suite C  
Santa Fe, New Mexico

4a. Article Number  
P 237 027 890

4b. Service Type  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery  
12-15-93

5. Signature (Addressee)  
*James H. Yates*

6. Signature (Agent)

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address

2. ☐ Restricted Delivery

Consult postmaster for fee.

8. Addressee's Address (Only if requested and fee is paid)

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3. Article Addressed to:

Cross Timbers Operating Co.  
3000. N. Garfield, Suite 250  
Midland, Texas 79705

4a. Article Number  
P 237 027 887

4b. Service Type  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery  
12-14-93

5. Signature (Addressee)  
*Cross Timbers*

6. Signature (Agent)  
*Bruce Underwood*

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address

2. ☐ Restricted Delivery

Consult postmaster for fee.

8. Addressee's Address (Only if requested and fee is paid)

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- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

ATTN: MELISSA RANDLE  
HARVEY E. YATES COMPANY  
P.O. BOX 1933  
ROSWELL NEW MEXICO 88202

4a. Article Number  
P 237 027 882

4b. Service Type  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☒ Return Receipt for Merchandise

7. Date of Delivery  
12-14-93

5. Signature (Addressee)

6. Signature (Agent)  
*Melissa Randle*

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address

2. ☐ Restricted Delivery

Consult postmaster for fee.

8. Addressee's Address (Only if requested and fee is paid)

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- ☐ Restricted Delivery

Consult postmaster for fee.

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OXY USA, INC.  
P.O. Box 50250  
Midland, Texas 79710  
Attn: Mike Gooden

4a. Article Number  
P 237 027 889

4b. Service Type

☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

6. Signature (Agent) *K. Woodard*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

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- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

B C & D Operating  
P.O. Box 5926  
Hobbs, New Mexico 88241

4a. Article Number  
P 237 027 888

4b. Service Type

☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery  
12-14-93

5. Signature (Addressee)

6. Signature (Agent) *Michael Cook*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 DOMESTIC RETURN RECEIPT

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- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

ATTN: Melissa Randle  
HARVEY E. YATES COMPANY  
P.O. Box 1933  
One Southwest Centre  
Roswell, New Mexico 88202-1933

4a. Article Number  
P 237 027 885

4b. Service Type

☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery  
12-15-93

5. Signature (Addressee)

6. Signature (Agent) *A. Aguer*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 DOMESTIC RETURN RECEIPT

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- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

ATTN: JAMES H. YATES  
JAMES H. YATES, INC.  
906 S. ST. FRANCIS DR.  
SANTA FE NEW MEXICO 87507

4a. Article Number  
P 237 027 881

4b. Service Type

☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

6. Signature (Agent) *12-14*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 DOMESTIC RETURN RECEIPT

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3. Article Addressed to:

Zachary Oil Operating  
P.O. Box 80100  
Midland, Texas 79709

4a. Article Number  
P 237 027 886

4b. Service Type

☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery  
12-14-93

5. Signature (Addressee)  
*Zachary*

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 **DOMESTIC RETURN RECEIPT**

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Colkelan Corporation  
906 S. St. Francis Dr.,  
Suite C  
Santa Fe, New Mexico

4a. Article Number  
P 237 027 890

4b. Service Type

☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery  
12-15-93

5. Signature (Addressee)  
*James H. Yates*

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 **DOMESTIC RETURN RECEIPT**

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Cross Timbers Operating Co.  
3000. N. Garfield, Suite 250  
Midland, Texas 79705

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P 237 027 887

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☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery  
12-14-93

5. Signature (Addressee)  
*Cross Timbers*

6. Signature (Agent)  
*Bruce Underwood*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 **DOMESTIC RETURN RECEIPT**

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3. Article Addressed to:

ATTN: MELISSA RANDLE  
HARVEY E. YATES COMPANY  
P.O. BOX 1933  
ROSWELL NEW MEXICO 88202

4a. Article Number  
P 237 027 882

4b. Service Type

☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☒ Return Receipt for Merchandise

7. Date of Delivery  
12-14-93

5. Signature (Addressee)  
*Melissa Randle*

6. Signature (Agent)  
*Harvey E. Yates*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

**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. 10890  
Order No. R-\_\_\_\_\_**

**APPLICATION OF SANTA FE ENERGY  
OPERATING PARTNERS, L.P. FOR  
AN UNORTHODOX OIL WELL LOCATION,  
LEA COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on January 6, 1994, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_\_ day of January, 1994, 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) The applicant, Santa Fe Energy Operating Partners, L.P., seeks approval of an unorthodox oil well location for its Kachina "5" Well No. 7, to be located 2130 feet from the North line and 990 feet from the West line (Unit E) of Section 5, Township 18 South, Range 33 East, NMPM, South Corbin-Wolfcamp Pool, Lea County, New Mexico.

(3) The S $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 5 is to be dedicated to the subject well forming a standard 80-acre oil spacing and proration unit for said pool.

(4) The subject well is located within the South Corbin-Wolfcamp Pool and is therefore subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-8181-B, which require standard 80-acre oil spacing and proration units with wells to be located within 150 feet of the center of either governmental quarter-quarter section.

(5) The proposed unorthodox location is necessitated by both topographic and geologic considerations.

(6) Evidence indicates that an existing well, completed in the Queen formation, is located at a standard location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 5. Due to the presence of the existing well, the subject well was moved to its proposed location, which, according to applicant's geologic evidence, was chosen due to its favorable geologic position.

(7) Further, the evidence indicates an aqueduct crossing Unit E of Section 5, which interferes with well locations.

(8) The subject well is encroaching on offset acreage to the South, which is operated by the applicant. However, the applicant did notify offsetting working interest owners of the hearing.

(9) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

**IT IS THEREFORE ORDERED THAT:**

(1) The application of Santa Fe Energy Operating Partners, L.P., for an unorthodox oil well location for its Kachina "5" Well No. 7, located 2130 feet from the North line and 990 feet from the West line (Unit E) of Section 5, Township 18 South, Range 33 East, NMPM, South Corbin-Wolfcamp Pool, Lea County, New Mexico, is hereby approved.

(2) The S $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 5 shall be dedicated to the above-described well forming a standard 80-acre oil spacing and proration unit for said pool.

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

CASE NO. 10890

Order No. R- \_\_\_\_\_

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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

S E A L



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION



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January 11, 1994

HINKLE, COX, EATON,  
COFFIELD & HENSLEY  
Attorneys at Law  
P. O. Box 2068  
Santa Fe, New Mexico 87501

RE: CASE NO. 10890  
ORDER NO. R-10049

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

  
Sally E. Martinez  
Administrative Secretary

cc: BLM - Carlsbad