

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. 10989
ORDER NO. R-10152

**APPLICATION OF SANTA FE ENERGY OPERATING PARTNERS, L.P. FOR AN
UNORTHODOX GAS WELL LOCATION AND NON-STANDARD GAS PRORATION
UNIT, EDDY COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 9, 1994, and July 7, 1994 before Examiners Jim Morrow and David R. Catanach, respectively.

NOW, on this 9th day of July, 1994, the Division Director, having considered the testimony, the record and the recommendations of the Examiners, and being fully advised in the premisses,

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 for an unorthodox gas well location to be drilled 1600 feet from the North line and 1650 feet from the West line (Unit F) of irregular Section 7, Township 22 South, Range 24 East, Indian Basin-Upper Pennsylvanian Gas Pool.
- (3) Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of said Section 7 are to be dedicated to said well forming a non-standard 296.68-acre gas spacing and proration unit for said pool.
- (4) At the time of the hearing, this case was consolidated with Case No. 10986 for the purpose of presenting testimony.

(5) In Case No. 10986, Santa Fe asked the Division to remove certain acreage (including said Section 7) from the Indian Basin-Upper Pennsylvanian Gas Pool and add it to the Indian Basin-Upper Pennsylvanian Associated Pool. This request, as it pertains to Section 7, was approved by Division Order No. R-10137.

(6) The applicant's evidence indicates that the proposed location, the Old Ranch Canyon 7 Federal Well No.2, should be completed as an oil well in the Indian Basin-Upper Pennsylvanian Associated Pool. Pool rules for said Associated Pool provide for 320-acre spacing with wells to be no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from quarter-quarter section lines.

(7) At the June 9, 1994 hearing, applicant's witness testified that BLM had required that the location be changed to 1600 feet from the North line and 1400 feet from the West line of said Section 7. Because of this change, the application was re-advertised for the July 7, 1994 docket.

(8) The well location is unorthodox in said Associated Pool because it is too close to quarter-quarter section lines. According to testimony by applicant's witness the location is necessary because of topographic conditions in the area and BLM requirements.

(9) No offset operator 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 hydrocarbons in the affected pool and will prevent waste and protect correlative rights.

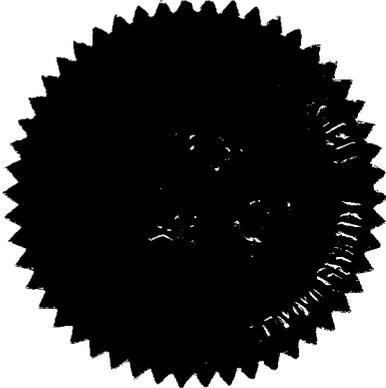
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Santa Fe Energy Operating Partners L.P., is hereby authorized to drill its Old Ranch Canyon 7 Federal Well No.2 at an unorthodox oil well location 1600 feet from the North line and 1400 feet from the West line (Unit F) of Section 7, Township 22 South, Range 24 East, NMPM, Indian Basin-Upper Pennsylvanian Associated Pool, Eddy County, New Mexico.

(2) Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of said section 7 shall be dedicated to said well to form a non-standard 297.68-acre oil spacing and proration unit for said pool. Said spacing unit is hereby approved.

(3) 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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director