

EXHIBIT A

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Chevron, USA Inc.
Post Office Box 1150
Midland, Texas 79702

Santa Fe Exploration
Post Office Box 1136
Roswell, New Mexico 88201

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
MARTE D. LIGHTSTONE
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE (505) 988-4421
TELECOPIER (505) 983-6043

February 7, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Re: Application of Curry and Thornton for a Non-Standard
Proration Unit and, Unorthodox Well Location, Chaves
County, New Mexico

Gentlemen:

This letter is to advise you that Curry and Thornton has filed the enclosed application with the New Mexico Oil Conservation Division. You have an interest that may be affected by the enclosed application.

This application has been set for hearing before a Division Examiner on March 1, 1989. You are not required to attend this hearing, but as an owner of an interest that may be subject to the non-standard proration unit or affected by the unorthodox well location, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Very truly yours,

Maile Lightstone for

WILLIAM F. CARR
ATTORNEY FOR CURRY AND THORNTON
WFC:mlh
Enclosure

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent the card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.
 1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to: Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210		4. Article Number P 106 676 580
5. Signature - Address X		Type of Service: <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> COD <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
6. Signature - Agent X		
7. Date of Delivery 2/9/89		8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-885 DOMESTIC RETURN RECEIPT

P-106 676 580
 RECEIPT FOR CERTIFIED MAIL
 U.S. POSTAL SERVICE
 REGISTERED MAIL
 (See Reverse)

Sent to Yates Petroleum Corp.	
Street and No. 105 S. Fourth Street	
P.O. State and ZIP Code Artesia, NM 88210	
Postage	\$.25
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.00
Postmark or Date February 7, 1989	

PS Form 3800, June 1985

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
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JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER (505) 983-6043

February 7, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Chevron, USA Inc.
Post Office Box 1150
Midland, Texas 79702

Re: Application of Curry and Thornton for a Non-Standard
Proration Unit and, Unorthodox Well Location, Chaves
County, New Mexico

Gentlemen:

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Very truly yours,

Wm F Carr

WILLIAM F. CARR
ATTORNEY FOR CURRY AND THORNTON
WFC:mlh
Enclosure

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 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional services requested.
 1. Show to whom delivered, date, and addressee's address. (Extra charge)
 2. Restricted Delivery (Extra charge)

3. Article Addressed to:

Chevron USA Inc.
 Post Office Bgx 1150
 Midland, Texas 79702

4. Article Number
 P 106 676 581

Type of Service:
 Registered
 Certified
 Express Mail
 Insured
 COD
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address
 X

6. Signature - Agent
 X

7. Date of Delivery
 X 10 FEB 8 89 CEK

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

P-106 676 581

RECEIPT FOR CERTIFIED MAIL
 (See Reverse)

Sent to: Chevron USA Inc.	
Street and No. P. O. Box 1150	
P.O. State and ZIP Code Midland, Texas 79702	
Postage	.25
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom and Date Delivered (for Restricted Delivery)	
TOTAL Postage and Fees	2.00
Postmark or Date February 7, 1989	

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
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TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 7, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Santa Fe Exploration
Post Office Box 1136
Roswell, New Mexico 88201

Re: Application of Curry and Thornton for a Non-Standard
Proration Unit and, Unorthodox Well Location, Chaves
County, New Mexico

Gentlemen:

This letter is to advise you that Curry and Thornton has filed the enclosed application with the New Mexico Oil Conservation Division. You have an interest that may be affected by the enclosed application.

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Very truly yours,

Marte Lightstone for

WILLIAM F. CARR
ATTORNEY FOR CURRY AND THORNTON
WFC:mlh
Enclosure

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1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to: Santa Fe Exploration
P. O. Box 1136
Roswell, New Mexico 88201

4. Article Number: P 106 676 579

Type of Service:
 Registered
 Certified
 Express Mail
 Insured
 COD
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address: X

6. Signature - Agent: X *[Signature]*

7. Date of Delivery: *2-9-89*

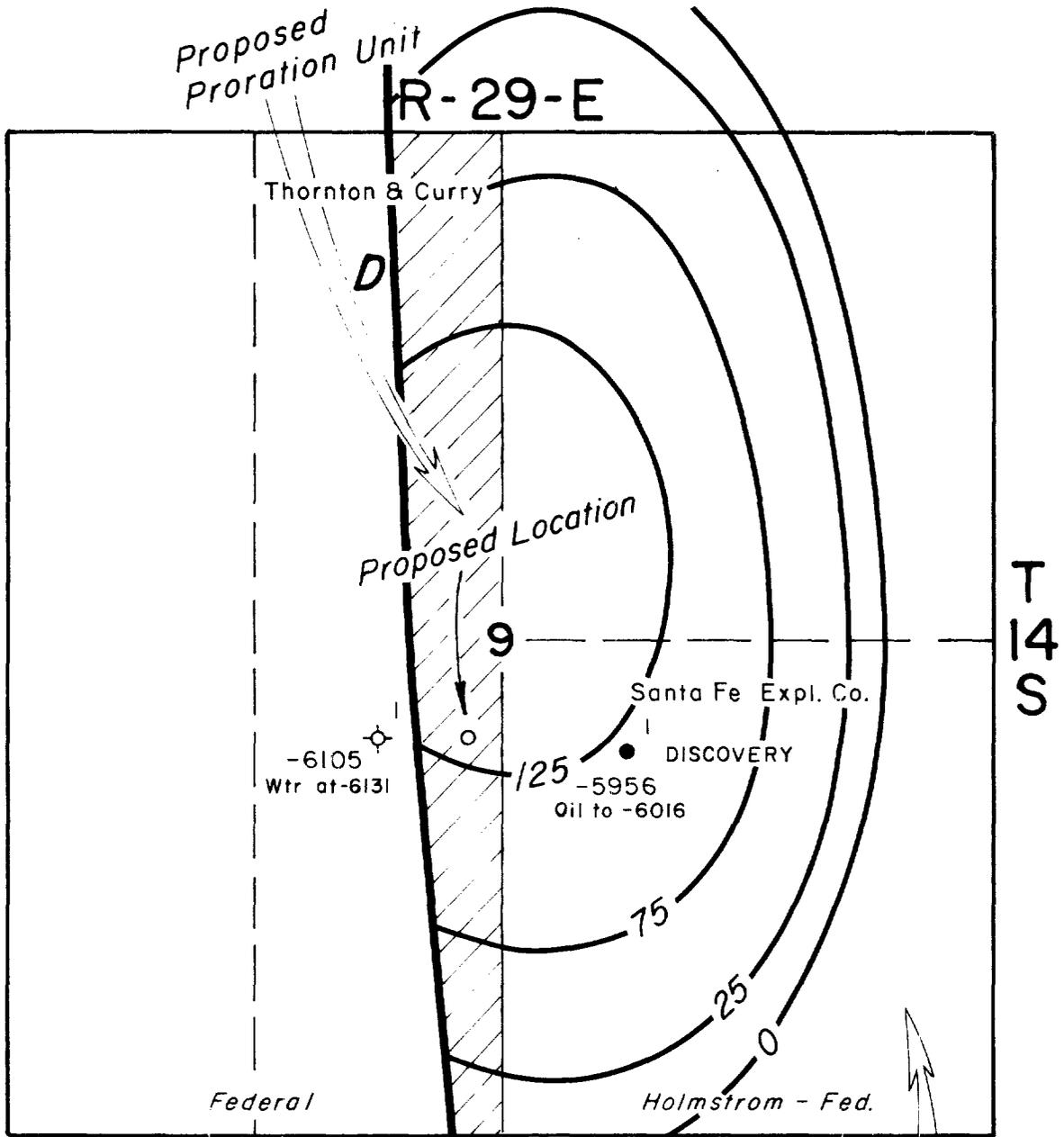
8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

P-106 676 579

RECEIPT FOR CERTIFIED MAIL
 RECEIVED BY ADDRESSEE
 MAIL DELIVERY SERVICE
 U.S. POSTAL SERVICE

Street		Santa Fe Exploration	
Street and No.		P. O. Box 1136	
P.O. State and ZIP Code		Roswell, New Mexico 88201	
Postage	\$.25	
Certified Fee	\$.85	
Special Delivery Fee			
Restricted Delivery Fee			
Return Receipt showing to whom and Date Delivered	\$.90	
Return Receipt showing to whom Date and Address of Delivery			
TOTAL Postage and Fees	\$	2.00	
Postmark of Date <i>February 7, 1989</i>			



S.E. 1/4 Proration Unit assigned to Santa Fe Exploration Co. Holmstrom - Fed. No. 1

isopach - elev of woc from X-b

In the matter of the application of Curry & Thornton for a non-standard Proration Unit and, Unorthodox well location, Chaves County, New Mexico.

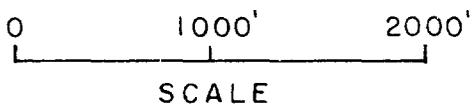
Case No. 967

Case Number _____

NORTH KING CAMP - DEVONIAN POOL
CHAVES COUNTY, NEW MEXICO
DEVONIAN

GROSS ISOPACHOUS MAP BASED ON
SEISMIC STRUCTURE
VELOCITY GRADIENT
APPLIED TO TIE WELL NO. 2

C.I. = 50'



JACK AHLEN

February 1989

EXISTING WELL IN SE/4 WITH 515 BOPD ALLOWABLE

COMPARISON OF PRODUCTIVE AREAS/VOLUMES WITH CONSISTENT ALLOWABLES

SEC. 9 - TWP. 14S - RGE. 29E
 NO. KING CAMP - DEVONIAN POOL
 CHAVES COUNTY, NEW MEXICO

TYPE OF SUBSURFACE INTREPRETATION

	<u>CASE A</u>	<u>CASE B</u>	<u>CASE C</u>	<u>MEAN</u>
<u>AREA BASIS:</u>	X-6 11	X-4 9	X-5 10	
SE/4	104.0 AC.	103.0 AC.	97.8 AC.	102.0 AC.
E/2W/2	59.8 AC.	47.7 AC.	53.4 AC.	53.6 AC.
TOTAL	163.8 AC.	150.7 AC.	151.2 AC.	155.6 AC.
RATIO	0.575	0.462	0.546	0.525
CALCULATED ALLOWABLE	296 BOPD	238 BOPD	281 BOPD	271 BOPD
<u>VOLUME BASIS:</u>	515 top allow			9.00 ft
SE/4	6817 AF	5572 AF	5265 AF	5885 AF
E/2W/2	5859 AF	2804 AF	2824 AF	3829 AF
TOTAL	12676 AF	8376 AF	8089 AF	9714 AF
RATIO	0.859	0.503	0.536	0.651
CALCULATED ALLOWABLE	443 BOPD	259 BOPD	276 BOPD	335 BOPD

NOTES:

CASE A - SEISMIC STRUCTURE: LINEAR VELOCITY GRADIENT APPLIED TO TIE SANTA FE EXPL. 2 FEDERAL HOLSROM TO SANTA FE EXPL. 1 FED.

CASE B - SEISMIC STRUCTURE: SUBSURFACE TIE TO SANTA FE EXPL. 2 HOLSTROM FEDERAL

CASE C - SUBSURFACE STRUCTURE BASED ON GEOLOGY

AC = Acres
 AF = Acre Feet
 BOPD = Barrels of Oil per Day
 RATIO = Share of Reserves in E/2W/2 of Sec. 9

647
 12
 767

TOTAL RESERVOIR CASE (Full development with wells in NE/4, SE/4, and E/2W/2. Total allowable for NE/4 and SE/4 combined = 1030 BOPD)

COMPARISON OF PRODUCTIVE AREAS/VOLUMES WITH CONSISTENT ALLOWABLES

SEC. 9 - TWP. 14S - RGE. 29E
 NO. KING CAMP - DEVONIAN POOL
 CHAVES COUNTY, NEW MEXICO

TYPE OF SUBSURFACE INTREPRETATION

	<u>CASE A</u>	<u>CASE B</u>	<u>CASE C</u>	<u>MEAN</u>
<u>AREA BASIS:</u>				
NE/4	115.0 AC.	61.9 AC.	64.4 AC.	80.4 AC.
SE/4	104.0 AC.	103.0 AC.	97.8 AC.	102.0 AC.
COMB. E/2	219.0 AC.	164.9 AC.	162.2 AC.	182.4 AC.
E/2W/2	59.8 AC.	47.7 AC.	53.4 AC.	53.6 AC.
TOTAL	278.8 AC.	212.6 AC.	215.6 AC.	236.0 AC.
RATIO	0.273	0.289	0.329	0.294
CALCULATED ALLOWABLE	281 BOPD	298 BOPD	339 BOPD	303 BOPD
<u>VOLUME BASIS:</u>				
NE/4	9319 AF	2975 AF	3119 AF	5138 AF
SE/4	6817 AF	5572 AF	5265 AF	5885 AF
COMB. E/2	16136 AF	8547 AF	8384 AF	11023 AF
E/2W/2	5859 AF	2804 AF	2824 AF	3829 AF
TOTAL	21995 AF	11351 AF	11208 AF	14852 AF
RATIO	0.363	0.328	0.337	0.347
CALCULATED ALLOWABLE	374 BOPD	338 BOPD	347 BOPD	358 BOPD

NOTES:

CASE A - SEISMIC STRUCTURE: LINEAR VELOCITY GRADIENT APPLIED TO TIE SANTA FE EXPL. 2 FEDERAL HOLSRUM TO SANTA FE EXPL. 1 FED.

CASE B - SEISMIC STRUCTURE: SUBSURFACE TIE TO SANTA FE EXPL. 2 HOLSTROM FEDERAL

CASE C - SUBSURFACE STRUCTURE BASED ON GEOLOGY

AC = Acres

AF = Acre Feet

BOPD = Barrels of Oil per Day

RATIO = Share of reserves in E/2W/2 of Sec. 9

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM

Section 1: All
Section 2: Lots 1, 2, 7, 8, 9, 10, 15 and 16
Section 9: S/2
Section 10: All
Section 11: All
Section 12: All
Section 15: N/2
Section 16: N/2

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM

Section 3: Lots 1 through 16
Section 4: Lots 1 through 16
Section 5: Lots 1 through 16
Section 6: All

- (e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Diamound Mound-Atoka Gas Pool. The discovery well is the Northern Natural Gas Co. Vandagriff Federal Com Well No. 1 located in Unit K of Section 1, Township 16 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM

Section 1: All
Section 2: Lots 1, 2, 7, 8, 9, and 10
Section 9: S/2
Section 10: All
Section 11: All
Section 12: All
Section 16: N/2

- (f) ABOLISH the Diamound Mound Atoka-Morrow Gas Pool in Eddy and Chaves Counties, New Mexico.
(g) EXTEND the Diablo-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM

Section 22: E/2 SW/4 and SE/4

- (h) EXTEND the North Grayburg-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 22: W/2

- (i) EXTEND the Owen Mesa-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 35: NE/4
Section 36: N/2

- (j) EXTEND the North Shugart-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 5: SW/4

Docket 8-89

DOCKET: COMMISSION HEARING - THURSDAY - MARCH 9, 1989

9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

CASE 9511: (Continued from February 16, 1989, Commission Hearing.) (De Novo)

Application of Phillips Petroleum Company for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced water into the South Paterson-Fusselman Pool and Montoya formation in the perforated interval from approximately 7892 feet to 7994 feet in its Lambirth "A" Well No. 6 located 1830 feet from the South line and 1980 feet from the East line (Unit J) of Section 30, Township 5 South, Range 33 East, which is located 10.5 miles west of Pop, New Mexico. Upon application of Enserch Exploration, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9606: (Continued from February 1, 1989, Examiner Hearing.)

Application of Read & Stevens, Inc. for statutory unitization, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of establishing a secondary recovery project, all mineral interests in the designated and Undesignated Bunker Hill-Penrose Associated Pool underlying 1360.00 acres, more or less, of State, Federal, and Fee lands in portions of Sections 13, 14, 23, and 24, Township 16 South, Range 31 East. Said unit is to be designated the Bunker Hill Unit Area. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including, but not necessarily limited to, unit voting procedures, selection, removal, or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any nonconsenting working owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. Said Unit Area is centered approximately 3.5 miles south-southwest of a point common to Eddy, Chaves, and Lea Counties, New Mexico.

CASE 9607: (Continued from February 1, 1989, Examiner Hearing.)

Application of Read & Stevens, Inc. for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Penrose Formation in its proposed Bunker Hill Unit Area (Division Case No. 9606) underlying portions of Sections 13, 14, 23, and 24, Township 16 South, Range 31 East, Bunker Hill-Penrose Associated Pool. Said area is centered approximately 3.5 miles south-southwest of a point common to Eddy, Lea and Chaves Counties, New Mexico.

CASE 9608: (Continued from February 1, 1989, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, abolishing, and extending certain pools in Chaves and Eddy Counties, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Bone Spring production and designated as the Magruder-Bone Spring Gas Pool. The discovery well is the OXY USA Inc. State CP Com Well No. 1 located in Unit J of Section 9, Township 21 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 9: SE/4

- (b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the West Millman-Wolfcamp Gas Pool. The discovery well is the Yates Petroleum Corp. State HU Com Well No. 1 located in Unit N of Section 7, Township 19 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 7: S/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the West Wickiup Hill-Strawn Gas Pool. The discovery well is the Yates Petroleum Corp. Eland AFC Federal Com Well No. 1 located in Unit N of Section 12, Township 20 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 12: W/2

- (d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Diamond Mound-Morrow Gas Pool. The discovery well is the Mesa Operating Derrick Federal Com Well No. 1 located in Unit K of Section 5, Township 16 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM
Section 33: All
Section 34: All
Section 35: All
Section 26: All

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM
Section 30: S/2
Section 31: All
Section 32: All

CASE 9613: Application of Chevron U.S.A. Inc. for an unorthodox oil well location and a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 940 feet from the North line and 2210 feet from the West line (Unit C) of Section 2, Township 17 South, Range 37 East, Shipp-Strawn Pool, Lots 3 and 4 of said Section 2 to be dedicated to the well forming a non-standard 82.37-acre oil spacing and proration unit for said pool. Said location is approximately 5 miles north of Humble City, New Mexico.

CASE 9572: (Continued from February 1, 1989, Examiner Hearing.)

Application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 164.87-acre non-standard gas spacing and proration unit for production from the Basin-Fruitland Coal (Gas) Pool comprising Lots 1 and 2 and the E/2 NW/4 of Section 31, Township 28 North, Range 10 West. Said unit is to be dedicated to its Knauff Well No. 1 which is presently completed in the Kutz-Fruitland Pool and is located at a previously authorized unorthodox coal gas well location (pursuant to Secretary Paragraph No. (4) of Division Order No. R-8768) 1015 feet from the North line and 1650 feet from the West line (Unit C) of said Section 31. This well is located approximately 6.5 miles south-southeast of Bloomfield, New Mexico

CASE 9573: (Continued from February 1, 1989, Examiner Hearing.)

Application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas spacing and proration unit for production from the Basin-Fruitland Coal (Gas) Pool comprising the NE/4 of Section 18, Township 29 North, Range 11 West. Said unit is to be dedicated to its Hana Well No. 1 which is presently a dually completed gas well in the Fruitland formation and the Fulcher Kutz-Pictured Cliffs Pool and is located at a standard coal gas well location 790 feet from the North line and 1520 feet from the East line (Unit B) of said Section 18. This well is located approximately 2.5 miles west-northwest of Bloomfield, New Mexico

CASE 9614: Application of Blackwood & Nichols Co., Ltd. for an unorthodox coal gas well location and a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox coal gas well location 930 feet from the South line and 610 feet from the West line (Unit N) of irregular Section 6, Township 30 North, Range 7 West, Basin-Fruitland Coal (Gas) Pool. Said well is to be dedicated to a 296.02-acre non-standard gas spacing and proration unit comprising Lots 11 and 12 and the E/2 SW/4 of Section 31, Township 31 North, Range 7 West, and Lots 11, 12, 17, and 18 and the E/2 W/2 equivalent of said Section 6. Said location is approximately 2.25 miles north of the Navajo Reservoir Dam.

CASE 9615: Application of Blackwood & Nichols Co., Ltd. for an unorthodox coal gas well location and a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox coal gas well location 320 feet from the South line and 1250 feet from the West line (Unit N) of irregular Section 19, Township 31 North, Range 7 West, Basin-Fruitland Coal (Gas) Pool. Said well is to be dedicated to a 259.82-acre non-standard gas spacing and proration unit comprising Lots 5, 6, 7, and 8 and the E/2 W/2 of said Section 19 and Lot 5 and the NE/4 NW/4 of Section 30, both in Township 31 North, Range 7 West. Said location is approximately 6 miles north of the Navajo Reservoir Dam.

CASE 9616: Application of Blackwood & Nichols Co., Ltd. for an unorthodox coal gas well location and a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox coal gas well location 2255 feet from the North line and 340 feet from the West line (Unit F) of irregular Section 31, Township 31 North, Range 7 West, Basin-Fruitland Coal (Gas) Pool. Said well is to be dedicated to a 250.65-acre non-standard gas spacing and proration unit comprising Lots 6, 9, and 10, the E/2 SW/4, and the SE/4 SW/4 of Section 30 and Lots 7 and 8 and the E/2 NW/4 of said Section 31, both in Township 31 North, Range 7 West. Said location is approximately 4 miles north of the Navajo Reservoir Dam.

CASE 9617: Application of Curry and Thornton for an unorthodox oil well location and a non-standard proration unit, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, Undesignated North King Camp-Devonian Pool, the E/2 W/2 of said Section 9 to be dedicated to said well forming a non-standard 160-acre oil spacing and proration unit for said pool. Said location is approximately 17 miles east of Hagerman, New Mexico.

CASE 9618: Application of Bill Penn, Inc. for an unorthodox gas well location and dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete a well in the Indian Basin-Upper Pennsylvanian Gas Pool and Indian Basin-Morrow Gas Pool at an unorthodox gas well location 1650 feet from the North line and 990 feet from the West line (Unit E) of Section 14, Township 21 South, Range 23 East, all of said Section 14 to be dedicated to the well forming a standard 640-acre gas spacing and proration unit for both pools. Said well location is approximately 1.25 miles north-northwest of the Marathon Oil Company Indian Basin Gas Plant.

CASE 9619: Application of Santa Fe Exploration Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 660 feet from the South and East lines (Unit P) of Section 8, Township 21 South, Range 23 East, Undesignated Indian Basin-Morrow Gas Pool, all of said Section 8 to be dedicated to said well, forming a standard 640-acre gas spacing and proration unit for said pool. Said well is located approximately 3.75 miles west-northwest of the Marathon Oil Company Indian Basin Gas Plant.

C De Novg

*and Curry and Thornton De
upon application of Santa Fe Exploration Company
this case will be heard De
Novg pursuant to the
provisions
et Rule
1220.*

Dockets Nos. 9-89 and 10-89 are tentatively set for March 15 and March 29, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 1, 1989

**8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO**

The following cases will be heard before David R. Catanach, Examiner, or Michael E. Stogner, or Victor T. Lyon, Alternate Examiners:

CASE 9610: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Knights Bridge Petroleum Corporation and James Marchbanks and all other interested parties to appear and show cause why the Triple Crown Well No. 1 located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 6, Township 9 North, Range 31 East, Quay County, New Mexico (being located approximately 7.75 miles northeast by north of Quay, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program. Additionally, the Division seeks an order directing the operator to pay the costs of such plugging and if the Operator fails to do so, ordering a forfeiture of the Operator's bond and authorizing the Director of the Division to make demand upon First National Bank of Tucumcari to pay to the Division so much of the funds of the certificate of deposit given as collateral for the bond as is necessary to pay the costs of plugging said well.

CASE 9589: (Continued from February 15, 1989, Examiner Hearing.)

Application of Murphy Operating Corporation for expansion of unit area, Chaves and Roosevelt Counties, New Mexico. Applicant, in the above-styled cause, seeks authority to expand the Haley Chaveroo San Andres Unit Area, authorized by Division Order No. R-8750, to include an additional 80 acres of State lands in Section 3, Township 8 South, Range 33 East, Chaveroo-San Andres Pool, Chaves County. Said unit area is located approximately 13 miles west of Milnesand, New Mexico.

CASE 9590: (Continued from February 15, 1989, Examiner Hearing.)

Application of Murphy Operating Corporation for area expansion of a waterflood project, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand the Haley Chaveroo San Andres Waterflood Project Area, authorized by Division Order No. R-8760, to include an additional 80 acres in Section 3, Township 8 South, Range 33 East, Chaveroo-San Andres Pool, Haley Chaveroo San Andres Unit Area. Said project area is located approximately 13 miles west of Milnesand, New Mexico.

CASE 9611: Application of The Petroleum Corporation of Delaware for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 660 feet from the South and West lines (Unit M) of Section 1, Township 20 South, Range 29 East, Undesignated East Burton Flat-Morrow Gas Pool, the S/2 of said Section 1 to be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool. Said location is approximately 3.5 miles west of the Eddy Potash Inc. Mine and Refinery.

CASE 9597: (Readvertised)

Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying the W/2 of Section 16, Township 30 North, Range 8 West, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its Delhi Com Well No. 300 to be drilled at an unorthodox coal gas well location 570 feet from the South line and 185 feet from the West line (Unit M) of said Section 16. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 4 miles northwest by west of the Navajo Reservoir Dam.

CASE 9602: (Continued from February 15, 1989, Examiner Hearing.)

Application of BHP Petroleum, Inc. for special GOR, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the adoption of special pool rules for the East Avalon-Bone Spring Pool, establishing a limiting gas-oil ratio of 5,000 cubic feet of gas per barrel of oil. Said pool is located in portions of Townships 20 and 21 South, Ranges 27 and 28 East, which is approximately 9 miles northeast of Carlsbad, New Mexico.

CASE 9612: Application of Pennzoil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 1650 feet from the North line and 330 feet from the East line (Unit H) of Section 21, Township 17 South, Range 37 East, Undesignated Humble City-Strawn Pool, the E/2 NE/4 of said Section 21 to be dedicated to the well forming a standard 80-acre oil spacing and proration unit for said pool. Said location is approximately 2.5 miles north-northwest of Humble City, New Mexico.

CASE 9543: (Continued from February 16, 1989, Commission Hearing.) (De Novo)

Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 16, Township 32 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its EPNG Com C Well No. 100 to be drilled at a standard gas well location in the NE/4 SW/4 (Unit K) of said Section 16. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3.1 miles north of Cedar Hill, New Mexico. Upon application of Fina Oil and Chemical Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9544: (Continued from February 16, 1989, Commission Hearing.) (De Novo)

Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 16, Township 32 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its Burroughs Com A Well No. 100 to be drilled at a standard gas well location in the SW/4 NE/4 (Unit G) of said Section 16. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3.1 miles north of Cedar Hill, New Mexico. Upon application of Fina Oil and Chemical Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9588: (Continued from February 16, 1989, Commission Hearing.)

Application of Sun Exploration and Production Company for contraction of the North Vacuum Atoka-Morrow Gas Pool, extension horizontally and vertically of the South Shoe Bar-Atoka Gas Pool, redesignation of said pool as the South Shoe Bar Atoka-Morrow Gas Pool, and the institution of proration in said pool as extended and redesignated, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order

- (1) contracting the area of the North Vacuum Atoka-Morrow Gas Pool by deleting therefrom the following lands:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, N.M.P.M.
E/2 Section 1, S/2 and NE/4 Section 12

TOWNSHIP 17 SOUTH, RANGE 35 EAST, N.M.P.M.
All of Section 7, W/2 Section 8, W/2 Section 16, N/2 Section 17 and all of Section 18;

- (2) extending the horizontal limits of the South Shoe Bar-Atoka Gas Pool to include the above-described lands; plus the SE/4 of Section 16, Township 17 South, Range 35 East;
- (3) extending the vertical limits of the South Shoe Bar-Atoka Gas Pool downward to include the Pennsylvanian formations to the base of the Morrow;
- (4) redesignating said pool as the South Shoe Bar Atoka-Morrow Gas Pool; and
- (5) instituting gas proration and promulgating special pool rules in the extended and redesignated gas pool. Said pools are approximately 2 miles north of Buckeye, New Mexico.

CASE 9490: (Continued from February 16, 1989, Commission Hearing.) (De Novo)

Application of Texaco Producing, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in any and all formations to the base of the Strawn formation underlying the E/2 of Section 17, Township 25 South, Range 36 East, forming a standard 320-acre spacing and proration unit for any and all formations developed on 320-acre spacing. Said unit is to be dedicated to its West Jal B Deep Well No. 1 located at a standard location 1980 feet from the North line and 660 feet from the East line of said Section 17. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 5 1/2 miles west by north of Jal, New Mexico. Upon application of Texaco Producing, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.



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

GARREY CARRUTHERS
 GOVERNOR

April 19, 1989

POST OFFICE BOX 2088
 STATE LAND OFFICE BUILDING
 SANTA FE, NEW MEXICO 87504
 (505) 827-5800

Mr. William F. Carr
 Campbell & Black
 Attorneys at Law
 Post Office Box 2208
 Santa Fe, New Mexico

Re: CASE NO. 9617
 ORDER NO. R-8917

Applicant:
Curry and Thornton

Dear Sir:

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

Sincerely,

Florene Davidson

FLORENE DAVIDSON
 OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
 Artesia OCD x
 Aztec OCD

Other Ernest L. Padilla, Thomas Kellahin

*This draft was given
in rough to Anna on
3/2/89. L*

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. 9617
ORDER NO. R-_____

APPLICATION OF CURRY AND THORNTON
FOR AN UNORTHODOX OIL WELL LOCATION
AND A NON-STANDARD PRORATION UNIT,
CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION:

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 1, 1989, at Santa Fe, New Mexico, before Examiner Victor T. Lyon.

NOW, on this _____ day of March, 1989, 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, Curry and Thornton, owns the leasehold on the W/2 of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico and desires to drill a well thereon for a non-standard unit consisting of the E/2 W/2 of said Section 9 at an unorthodox location 1980 feet from the South line and 2475 feet from west line (Unit K) of said Section 9 in the King Camp Devonian Pool.

(3) Special pool rules for said pool were promulgated by Order No. R-8806, and provide for 160-acre spacing and proration units consisting of a governmental quarter section with the well to be located not less than 660 feet from the unit boundary, nor less than 330 feet from a inner quarter-quarter section line, nor less than 1320 feet from the nearest well completed in said pool.

(4) The discovery well was drilled by Santa Fe Exploration at a standard location 1980 feet from the South and East lines of said Section 9.

(5) Santa Fe Exploration also drilled a well which was dry at a standard location 660 feet from the North line and 1980 feet from the East line of Section 16. (One-half mile south of the discovery well), which indicates that the

acreage west of the fault is non-productive

*after hearing held
in November - in case 9529
is this
the Nov.
hearing*

*goes where
present
now is*

³
(6) Santa Fe Exploration and Exxon USA appeared at the hearing and opposed the subject application. *on the basis, that the unorthodox location should not be would impair correlating rights, and if granted, a penalty should be assessed based upon a projection of pool reserves.*

that there is a fault there is a
(7) Evidence introduced at the November 22, 1988 hearing ⁹⁵²⁹ for promulgation of the pool rules and substantiated in the subject hearing, indicated a fault, down-thrown to the west, ^{which} traversing the W/2 of said Section 9 in generally a north-south direction continuing southward across Section 16. *Additional evidence was introduced in this case which further indicates ~~of do have between sections~~ ~~of the fault~~ ~~of the fault~~*

is this needed
(8) The dry hole drilled in the center of the NE/4 SW/4 (Unit C) of Section 9 was west of the fault, but there is potentially productive acreage east of the fault in the E/2 W/2 of Section 9 comprising approximately 60 acres. *Evidence indicates that approximately 60 acres east of the fault in the E/2 W/2 section 9 is potentially productive, and*
(9) Applicant is entitled to drill a well to recover the reserves, underlying the lease, residing entirely in the E/2 W/2 of the section.

(10) A non-standard proration unit consisting of the E/2 W/2 would permit applicant to drill a single well to recover the oil under his lease, whereas two wells drilled for the NW/2 and SW/4 would be uneconomical, unnecessary and would cause waste from drilling an unnecessary well.

is this needed
(11) The geologic interpretation presented at the November 22, 1988 hearing in Case No. 9529 showed only the fault described above; however after drilling the dry hole in Section 16, based on no additional data other than that well, the geologic interpretation by Santa Fe Exploration involved a secondary fault separating the second well from the discovery well.

(12) The issue between the parties represented at the hearing involved whether the applicant was entitled to drill a well at a location which would be productive and, if it was so entitled, what penalty should be assessed for the considerable departure from the pool rules.

(13) Applicant insists the penalty should be based on the projection of the pool reserves underlying this acreage. *There is insufficient data available to make an reasonable estimate of reserves with sufficient precision upon which a penalty could be assessed.*

(14) The only data available for determination of reserves for each proration unit other than seismic is the only productive well and two dry holes; and seismology, while a valuable exploration tool, lacks the precision needed to estimate reserves unless corroborating data gained from drilling wells is also available, which in this case, is not available.

of the proration unit and lease
(15) Applicant is seeking exception to two of the spacing requirements, ^{request} the minimum distance from the outer boundary of the proration unit and the minimum distance between wells. *The location proposed is both nearer the east outer boundary under the spacing requirements of the pool*

a well
(16) Evidence at the hearing indicated that it is necessary to crowd the east line of the proration unit in order to avoid the fault but that an equally safe location could be drilled at the minimum distance from the nearest well, which is the discovery well.

(17) A penalty (P_1) should be assessed for crowding the east line of the unit in proportion to the distance moved from a standard location toward that line or $495/660 = 0.75$.

(18) A further penalty (P_2) should be assessed for crowding the nearest well in proportion to the distance the well is moved toward the nearest well from the minimum distance permitted, or $495/1320 = 0.375$.

(19) The combined penalties should be cumulative so that the proportion of the top allowable assigned at the proposed location would be $(1-P_1) \times (1-P_2)$, or $.25 \times .625 = .15625$.

(20) The distance moved toward the offsetting lease together with the depth of the well indicates a ~~strong~~ ^{max} possibility the well would encroach even closer to the Santa Fe Exploration lease or even trespass on that lease, and therefore a continuous directional survey should be run on the well and a copy thereof filed with the Division so that the true location of the well at the productive interval can be determined.

(21) ~~Should the well migrate closer to the Santa Fe Exploration lease, the penalty should be adjusted to apply the above described penalty procedure to the actual encroachment.~~ *based upon the bottom hole location of the well using the procedure described in #17-19 above.*

(22) The drilling of the well with appropriate penalty as described above will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pools, 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 the waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Curry and Thornton for an unorthodox oil well location for the North King Camp-Devonian Pool is hereby approved for a well to be located at a point 1980 feet from the South line and 2475 feet from the West line of Section 9, Township 14 south, Range 29 East, NMPM, Chaves County, New Mexico.

(2) The E/2 W/2 of said Section 9 shall be dedicated to the above described well forming a 160-acre non-standard oil spacing and proration unit for said pool.

⁴
(4) *depth bracket allowable for a well by using the*
The well drilled at this location shall be penalized to ~~locate the depth bracket allowable~~ *as described in Finding Paragraph Nos. 17, 18 and 19.*

following formulas, based upon the bottom hole location of the well:
a a penalty (P_1) based on proportion actual location is moved from the standard location toward the boundary;
b a penalty (P_2) based on proportion actual location is moved toward the nearest well from the minimum distance of the pool rules;
c The product of $(1-P_1) \times (1-P_2)$.

Case No. 9617
Order No. R-
Page No. 4

(3) (4) A continuous directional survey shall be run on the well and filed with the Division so that the bottom-hole location at the producing interval may be determined, and, ~~if the well encroaches further toward the east, the penalty described above shall be adjusted to a more restrictive rate.~~

(5) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L

Case 9617

Bill Aycock

XX by Kellahin desc well prob draining entire resv.
rates of well Jan 7684 BO never has been Top allow 270 BOPB
penalty, rec. 281 or 274 in now

Padilla open st. - greater penalty

Charles Holmstrom - Midland - Geoph court

Carr XX

Kellahin 420' of line of P+T lean to fault. Cd move
well to west

Carr XX

Padilla re cross.

Buddy Dipca Midland Consulting Engrs Chigoz Inc.

X-2 #1 high capacity well. prod < 300 BOPB very little gas in water
water indicates possible coning. Rec close monitoring
to estab MER to prevent coning.

~~X-2 in prod~~

X-3 penalty SW/4 9% NW 17%

rec contin dir sum.

Kellahin - support - other experience

remarks on X-12 what penalty - rec. penalty on prod
acres. 45 barrels/day for sub

what effect of MER
being closer to fault

Carr XX agrees has prod ac. and entitled to drill.

Padilla Fedir.

Wm^A Mc Alpine Roswell Pres. of Santa Fe Expl.

C+T got lease 1-30-89 assignment from rec. 2-2-89

Carr XX had no int in W/2 sec. declined to take the lease.

Kellahin

What is
depth back
allow.

Kellakin for Exxon

Bill Duncan Revr Engr.

R-8339 for reference

X-1 based on order above

C+T 47 - 59.8

SF 25.5 - 41.5

dist to line $\frac{1}{4}$ of std

Carr XX

Closing

Padilla - C+T had notice of order little precedent for unusual shape. Competition could bring about waste. Question is what prod rate to be allowed. Request appl be denied, and require compliance.

Kellakin - Texaco order. Suggests denial as best approach. W/2 condemned by the dry hole. Remeniment of galmet. No volume of reserves presented. No need for classlogy. If penalty is assessed I will give Duncan proposal.

Carr drilling at a location that can recover oil in place. Share of reserves. Econ waste by 2 wells. Cont'l case. base on reserves.

CAMPBELL & BLACK, P.A.

LAWYERS

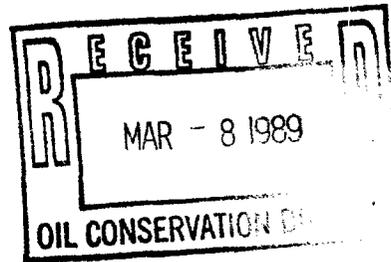
JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
MARTE D. LIGHTSTONE
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

March 8, 1989

HAND-DELIVERED

Mr. Victor T. Lyon
Hearing Examiner
Oil Conservation Division
New Mexico Department of
Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87503



Re: Case No. 9617
Application of Curry and Thornton for an Unorthodox Oil
Well Location and a Non-Standard Proration Unit, Chaves
County, New Mexico

Dear Mr. Lyon:

Enclosed for your consideration please find Curry and Thornton's
Proposed Order of the Division in the above-referenced case.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is written in a cursive style with a long, sweeping tail.

WILLIAM F. CARR

WFC:mlh

Enclosure

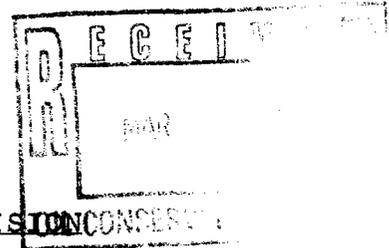
cc: Ernest L. Padilla, Esq.
W. Thomas Kellahin, Esq.
Mr. Don Stevens
Mr. Robert Thornton
Mr. Jack Ahlen
Mr. William P. Aycock

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. 9617
Order No. R-_____

APPLICATION OF CURRY AND THORNTON
FOR AN UNORTHODOX OIL WELL LOCATION
AND A NON-STANDARD PRORATION UNIT,
CHAVES COUNTY, NEW MEXICO.



CURRY AND THORNTON'S
PROPOSED ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 1, 1989, at Santa Fe, New Mexico, before Examiner Victor T. Lyon.

NOW, on this _____ day of March, 1989, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (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, Curry and Thornton, is the owner of the working interest under the W/2 of Section 9, Township 14 South, Range 29 East, and seeks authority to drill a well at an unorthodox location 1980 feet from the South line and 2475 feet from the West line (Unit K) of said Section 9, to produce the reserves under this tract in the North King Camp-Devonian-Pool, Chaves County, New Mexico.
- (3) The applicant further seeks approval of a non-standard oil proration unit consisting of 160-acres and comprising the E/2 W/2 of said Section 9, said proration unit to be dedicated to the above described well.

(4) The North King Camp-Devonian-Pool appears to be of very limited lateral extent, being bounded on the west by a northwest/southeast trending fault and on the north, south and east by a productive limit based on structure.

(5) From the best information available, it appears that because of the size and shape of the reservoir, no well in said pool can have a fully productive 160-acre tract dedicated to it.

(6) The only well in the pool is the Santa Fe Exploration Company's Holmstrom Federal Well No. 1 located 1980 feet from the South and East lines of said Section 9 in which Exxon Company, U.S.A., owns a working interest. The evidence indicated that this well could drain the entire pool -- including the reserves under the tract owned by Curry and Thornton.

(7) Santa Fe Exploration Company and Exxon Company, U.S.A., appeared at the hearing and objected to the application on grounds that it would cause drainage of hydrocarbons from under their acreage and would therefore impair their correlative rights.

(8) Section 70-2-33 H, NMSA, 1978 Comp., defines correlative rights as being "...the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool..." and defines "just and equitable share" "...as an amount, so far as can be practicably determined and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas or both under the property bears to the total recoverable oil or gas or both in the pool..." (also see, Division Rule 0.1 Definitions).

(9) The Division, in determining the appropriate penalty for wells drilled at unorthodox locations or on tracts which are shown to be only partially productive, most often relies on a straight acreage determination of drainage impingement into offsetting tracts or of productive areas.

(10) Since the evidence in this case establishes the total net acre feet of pay in this pool and also establishes the net acre feet of pay available under each producers tract, use of a straight acreage determination in limiting production from tracts would violate the duties imposed on the Commission by the Oil and Gas Act. (See, Continental Oil v. Oil Conservation Commission, 373 P.2d 809, 814-15 (1962)).

(11) Inasmuch as each well in the North King Camp-Devonian-Pool appears to have less than 160 productive acres dedicated thereto, determination of a penalty factor based on straight acreage in the instant case would be arbitrary and unjust and would not protect correlative rights.

(12) The protection of correlative rights in this particular case can best be served by utilizing a formula involving net acre feet of pay. (See Case 7304; Order R-6792).

(13) According to the best available evidence presented at the hearing, the Curry and Thornton acreage contains 5859 acre-feet of Devonian pay. (E/2 W/2 of said Section 9).

(14) According to the best available evidence presented at the hearing, the Santa Fe Exploration Company and Exxon Company, U.S.A. acreage contains 16,136 acre feet of Devonian pay. (E/2 of said Section 9).

(15) Inasmuch as the proposed Curry and Thornton Well would have less acre-feet of Devonian pay available to the well-bore than is available in the E/2 of said Section 9, the proposed Curry and Thornton Well should be penalized to offset any advantage it might gain over the E/2 of Section 9 by reason of its unorthodox location.

(16) Such penalty should be based on the ratio of productive acre-feet under the E/2 W/2 of Section 9 to productive acre feet under the E/2 of Section 9 and calculated as follows:

Production limitation factor =

$$\frac{\text{net acre-feet of Devonian pay in E/2 W/2 of Section 9}}{\text{net acre-feet of Devonian pay in E/2 of Section 9}} =$$

$$\frac{5859}{16136} = .363$$

(17) On the application of Santa Fe Exploration Company, Special Pool Rules were promulgated for the North King Camp-Devonian-Pool on December 9, 1988 (Case No. 9529; Order R-8806) which provide for 160-acre oil proration units and a depth bracket allowable of 515 barrels of oil per day.

(18) The aforesaid production limitation factor should be applied against said well's depth bracket allowable which results in an allowable of 374 barrels of oil per day. This allows Curry

374 derived

Curry and Thornton? *Have reserves allow to*
19-44

and Thornton to produce 26.6% of the total field allowable (374 bbls. + 1404 bbls.) which is equal to the percentage of the total field reserves which underlie the Curry and Thornton tract. (5859 acre feet + 21,995 acre feet = 26.6%).

(19) The applicant should be required to determine the subsurface location of the Devonian pay by means of directional surveys conducted periodically drilling to assure that the well bore location in the Devonian is no closer to the East than 2475 feet from the West line of said Section 9.

(20) The evidence established that any well in the North King Camp-Devonian-Pool can drain large areas in this pool.

(21) The only way that applicant can avail itself of an opportunity to produce the recoverable oil under its tract is by the drilling of a Devonian well thereon.

(22) The E/2 W/2 of Section 9 contains substantial reserves in the Devonian and applicant can produce its just and equitable share of reserves from this pool with one well.

(23) Approval of a non-standard proration unit comprised of the E/2 W/2 of Section 9 is consistent with where the reserves are located in this pool and will enable the applicant to produce its just and equitable share of the reserves from this pool without the waste that would result from the drilling of an unnecessary well in the NW/4 of Section 9.

(24) A non-standard proration unit for the E/2 W/2 of said Section 9 should be approved.

(25) Approval of the subject application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the oil in the subject reservoir, 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:

(1) The applicant, Curry and Thornton, is hereby authorized to drill a well at a location 1980 feet from the South line and 2475 feet from the West line of Section 9, Township 19 South, Range

Page 5
Case No. 9617
Order No. R-_____

29 East, NMPM, North King Camp-Devonian-Pool, Chaves County, New Mexico.

(2) A non-standard spacing or proration unit comprised of the E/2 W/2 of the aforesaid Section 9 shall be dedicated to said well in the North King Camp-Devonian-Pool.

(3) During drilling, periodic directional surveys shall be made of the wellbore to assure that the well bore location in the Devonian is no closer to the East than 2475 feet from the West line of said Section 9 and the operator shall cause a copy of the surveys to be filed with the Santa Fe Office of the Division, Post Office Box 2088, Santa Fe, New Mexico.

IT IS FURTHER ORDERED:

(1) The proposed Curry and Thornton well is hereby assigned a Production Limitation Factor of 0.36 in the Devonian formation.

(2) Said Production Limitation Factor shall be applied against the well's depth bracket allowable in the Devonian of 515 barrels of oil per day which results in an allowable of 374 barrels of oil per day.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LeMAY
Director

S E A L

KELLAHIN, KELLAHIN AND AUBREY
Attorneys at Law

W. Thomas Kellahin
Karen Aubrey
Jason Kellahin
Of Counsel

El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

March 13, 1989

RECEIVED

MAR 14 1989

OIL CONSERVATION DIVISION

Mr. Victor T. Lyon
Hearing Examiner
Oil Conservation Division
State Land Office
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Case No. 9617
Application of Curry and Thornton
for an Unorthodox Oil Well Location
and Non-Standard Proration Unit,
Chaves County, New Mexico

Dear Mr. Lyon:

Please find enclosed Exxon Company, USA's proposed order for your consideration in the referenced case.

I have also received and reviewed a proposed order submitted to you by Mr. Carr on behalf of Curry and Thornton and wish to direct your attention to certain defects in that proposed order:

1. If the Division adopts the production limitation factor of .363 proposed by Curry and Thornton and applies that to the top allowable of 515 BOPD then the allowable for the well is 185 BOPD and not their proposed rate of 374 BOPD.
2. Incorrectly, the Curry and Thornton proposed penalty uses a ratio of net productive acres in the E/2 W/2 to the net productive acres in the entire E/2 of that section. To be logically correct, the ratio should be one between the net productive acres in the E/2 W/2 to the net productive acres in the entire pool. If you correctly use claimed net productive acreage in the entire pool, it would result in a limitation factor of .2663 and not their proposed .363 factor.
3. Curry and Thornton proposed finding 18 does not logically relate to 16 and 17 unless you recalculate the ratio as we have suggested in paragraph 2 above.

KELLAHIN, KELLAHIN and AUBREY

Mr. Victor T. Lyon

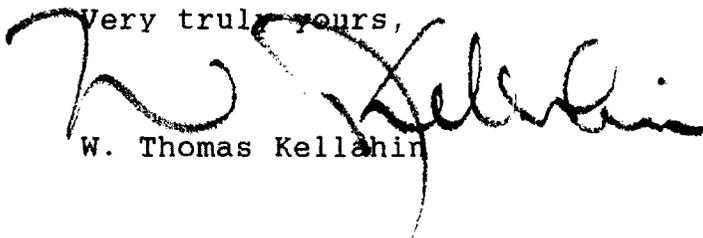
March 13, 1989

Page 2

4. At no point in the order did Curry and Thornton provide a factor to account for the unorthodox well location of their well. We request that you carefully examine the Arco Order R-6792 in which Curry and Thornton place so much faith. You will note that the well in the Arco order was to be 1480' from the spacing unit adjoining the Conoco spacing unit. While the Conoco well was only 660' from that line. Obviously in the Arco case, Arco was farther away from the common line than the Conoco well and therefore the Arco order did not include a location factor.

However, in the Curry and Thornton case, just the opposite is true. The Curry and Thornton well will be only 165' away from the common line while the Santa Fe Energy well is 660' away. Accordingly, any reliance upon the Arco order to resolve the Curry and Thornton case will be grossly misplaced.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name below.

W. Thomas Kellahin

WTK/rs

Encl.

cc: Mr. William F. Carr
Mr. Ernest L. Padilla, Esq.
Mr. William E. Duncan - Exxon

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

Case No. 9617
Order R-_____

APPLICATION OF CURRY AND THORNTON
FOR AN UNORTHODOX OIL WELL LOCATION
CHAVES COUNTY, NEW MEXICO

EXXON COMPANY USA PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 1, 1989, at Santa Fe, New Mexico, before Examiner Victor T. Lyon.

NOW, on this ____ day of March, 1989, 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, Curry and Thornton, seeks approval of an unorthodox oil well location 1980' from the South line and 2475' from the West line (Unit K) of Section 9, T14S, R29E, Undesignated King Camp-Devonian Oil Pool, to be dedicated to a 160 acre non-standard proration unit consisting of the E/2W/2 of said Section 9, Chaves County, New Mexico.

(3) Santa Fe Exploration Company and Exxon Company, USA appeared at the hearing and objected to the application.

(4) Santa Fe Exploration Company is the operator and Exxon Company, USA is a working interest owner in the Holstrom Federal Well No 1 which is located 1980' from the South and East lines of Section 9 and which is dedicated to a standard governmental quarter section being the SE/4 of said Section 9.

(5) The Special Rules and Regulations promulgated by Order R-8806 for the North King Camp-Devonian Oil Pool requires a well to be located no closer than 660' to the outer boundary of the spacing unit and requires that wells be located no closer than 1320' apart and requires that a standard proration unit be a standard governmental quarter section consisting of 160 acres.

(6) The applicant's requested unorthodox location would be only 165' from the Western boundary of the Santa Fe Exploration Company's 160 acre spacing unit in the SE/4 of this Section.

(7) The Santa Fe Exploration Company spacing unit is dedicated to its Holstrom Federal Well No. 1 which is located at a standard location 660' from the Eastern boundary of the applicant's non-standard proration and spacing unit.

(8) The applicant's requested unorthodox well location is 75% closer to the offsetting spacing unit than permitted by pool rules.

(9) The maximum depth bracket allowable for a well drilled at a standard location and dedicated to a standard proration unit is 515 barrels of oil per day.

(10) In order to avoid the premature encroachment of water into the wellbore, Santa Fe Exploration Company has restricted its producing rate on the Holstrom Federal Well No. 1 to not more than 270 barrels of oil per day.

(11) The applicant presented a multiplicity of various possible penalties for its well but each was based only on a comparison of potential productive acreage between its spacing unit and the Santa Fe Exploration Company's spacing unit.

(12) The applicant proposed a penalty allowable for its well of either 281 BOPD on an area basis or 374 BOPD on a volume basis.

(13) The applicant's proposed penalty failed to address the fact that its unorthodox well location was only 165' from the outer boundary of the spacing unit.

(14) The applicant's proposed penalty failed to address the fact that its proposed penalized allowable would still exceed the rates at which the Holstrom Federal Well No. 1 is being produced.

(15) The applicant's proposed well will be located so that it will be draining the offsetting spacing unit long before it drains most of its own non-standard spacing unit.

(16) Under the subject Pool rules the maximum distance from a standard well to the outer boundary of its spacing units is 1980'.

(17) If the applicant's non-standard proration unit is approved its unorthodox well will be located 3300' from the North end of its proposed proration boundary.

(18) Applicant's expert petroleum engineering witness admitted that there was an alternate location in the NW/4 of the applicant's spacing unit which he had recommended to the applicant as a well location.

(19) The geologic evidence presented by the applicant fails to show why it cannot drill a well in the NW/4 at a more standard location.

(20) Approval of the applicant's application would cause two wells to be located within an area of approximate 36 productive acres and would circumvent the well density for the pool, would circumvent the well location for the pool and would disrupt the well drainage patterns for the pool thereby causing waste and violating correlative rights.

(21) The applicant acquired its interest in the W/2 of the subject section after the promulgation of the special rules for the Pool, after the drilling and completing of the Holstrom Federal Well No. 1 as the discovery well for the pool, after the establishment of the North/South fault that separates the E/2W/2 from the W/2W/2 of Section 9, and after the drilling of the Honolulu well as a Devonian dry hole located 1980' from the West and South lines of Section 9.

(22) Santa Fe Exploration Company proposed a penalty based upon net productive acreage to be assigned to the applicant's well which if adopted by the Division would allow the applicants to produce their well at a rate not in excess of 47 BOPD.

(23) Applicant failed to present any economic analysis to determine the minimum daily producing rate at which it could produce its well.

(24) Exxon Company, USA, proposed a penalty on the applicant's well which included not only the potential net productive acreage in the applicant's spacing unit but also considered the unorthodox well location of the well.

(25) Exxon Company, USA proposed that the Division adopt a location penalty of 75% and incorporate that percentage into the calculation of the maximum allowable for the applicant's well.

(26) The penalty imposed upon the subject spacing and proration unit should be based upon the productive acres in the proration unit and the footage variation of the unorthodox location of the proposed well from a standard location.

(27) To offset the advantage gained over offset operators resulting from the unorthodox well location the allowable assigned the proposed well should be equal to the top allowable for the pool in any month times an acreage factor determined by multiplying the 26 productive acres divided by 160 times a location factor of 25%.

(28) Testimony established that there is a strong tendency for the drill bit to drift in this area which in the case may be towards the common spacing unit line; applicant volunteered, and protestants requested that applicant be required to run a directional survey on this well.

(29) Granting this application subject to the above allowable penalty provision will prevent waste and protect the correlative rights of the applicant as well as other operators and interest owners in the pool, and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Curry and Thornton for an unorthodox oil well location for the Devonian formation is hereby approved for a well to be located at a point 1980' from the South line and 2475' from the West line of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico.

(2) The E/2W/2 of said Section 9 shall be dedicated to the above-described well.

(3) The subject spacing and proration unit upon which the subject well is located shall be assigned an acreage factor of 0.0398 for allowable purposes in the undesignated King Camp-Devonian Pool, Chaves County, New Mexico.

(4) Applicant shall run a directional survey in said well either on a continuous recording or at points not more than 250' apart, and shall file a copy of said survey with the Division's Hobbs District office and with the offset operator, Santa Fe Exploration Company within 15 days after setting the production casing.

(5) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

William J. LeMay,
Director

S E A L

KELLAMIN, KELLAMIN and AUBREY

Attorneys at Law

Post Office Box 2265

El Patio - 117 North Guadalupe

Santa Fé, New Mexico 87504-2265

Mr. Victor T. Lyon
Oil Conservation Division

HAND DELIVERED

more file
L

PADILLA & SNYDER

ATTORNEYS AT LAW

200 W. MARCY, SUITE 212

P.O. BOX 2523

SANTA FE, NEW MEXICO 87504-2523

(505) 988-7577

ERNEST L. PADILLA
MARY JO SNYDER

FAX 988-7592
AREA CODE 505

March 16, 1989

HAND-DELIVERY

Mr. Victor T. Lyon
Hearing Examiner
Oil Conservation Division
State Land Office
Santa Fe, New Mexico 87501

RECEIVED
MAR 17 1989
OIL CONSERVATION DIVISION

Re: Case No. 9617
Application of Curry and Thornton
for an Unorthodox Oil Well Location
and Non-Standard Proration Unit,
Chaves County, New Mexico

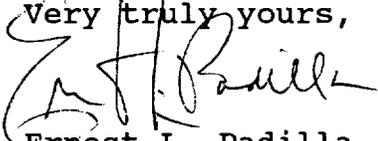
Dear Mr. Lyon:

Enclosed is Santa Fe Exploration Company's proposed order in the above-referenced case.

With regard to Curry and Thornton's proposed order, we concur in the comments made in Mr. Kellahin's letter to you dated March 13, 1989. In addition, we believe that Curry and Thornton's calculations are generally flawed because they fail to consider acreage factors of two standard proration units by dedication of the E/2W/2 to one well. This unfairly penalizes operators of standard proration units in the pool. Stated another way, Santa Fe Exploration Company must drill two wells in the E/2 of Section 9 in order to assure recovery of its fair share of hydrocarbons. Curry and Thornton, on the other hand, if allowed to dedicate the E/2W/2 would be essentially allowed to dedicate only the seemingly productive acreage of the entire W/2 of Section 9 to only one well.

Mr. Victor Lyon
March 16, 1989
Page - 2

Should you request additional information or have any questions regarding our proposed order, please let me know.

Very truly yours,

Ernest L. Padilla

ELP:njp
Enclosures as stated

cc: Santa Fe Exploration (w/encl.)
William F. Carr, Esq. (w/encl.)
W. Thomas Kellahin, Esq. (w/encl.)

293.

D R A F T - SANTA FE EXPLORATION

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

Case No. 9617
Order R- _____

APPLICATION OF CURRY AND THORNTON
FOR AN UNORTHODOX OIL WELL LOCATION
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 1, 1989, at Santa Fe, New Mexico, before Examiner Victor T. Lyon.

NOW, on this ____ day of March, 1989, 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, Curry and Thornton, seeks approval of an unorthodox oil well location 1980' from the South line and 2475' from the West line (Unit K) of Section 9, T14S, R29E, Undesignated King Camp-Devonian Oil Pool, (Pool), to be dedicated to a 160-acre non-standard proration unit

consisting of the E/2W/2 of said Section 9, Chaves County, New Mexico.

3. Santa Fe Exploration Company and Exxon Company, USA appeared at the hearing and objected to the application.

4. Santa Fe Exploration Company is the operator and Exxon Company, USA is a working interest owner in the Holstrom Federal Well No. 1 which is located 1980' from the South and East lines of Section 9 and which is dedicated to a standard governmental quarter section being the SE/4 of said Section 9.

5. The Special Rules and Regulations (Special Rules) promulgated by Order R-8806 for the North King Camp-Devonian Oil Pool, issued by the Division on December 9, 1988, requires a well to be located no closer than 660' to the outer boundary of the spacing unit and requires that wells be located no closer than 1320' apart and requires that a standard proration unit be a standard governmental quarter section consisting of 160 acres.

6. The applicant's requested unorthodox location would be only 165' from the western boundary of the Santa Fe Exploration Company's 160-acre spacing unit in the SE/4 of said Section 9.

7. The Santa Fe Exploration Company spacing unit is dedicated to its Holstrom Federal Well No. 1 which is located at a standard location 660' from the eastern boundary of the applicant's non-standard proration and spacing unit.

8. The applicant's requested unorthodox well location is 75% closer to the offsetting spacing unit than permitted by pool rules.

9. The maximum depth bracket allowable for a well drilled at a standard location and dedicated to a standard proration unit is 515 barrels of oil per day.

10. In order to avoid the premature encroachment of water into the wellbore, Santa Fe Exploration Company has restricted its producing rate on the Holstrom Federal Well No. 1 to not more than 270 barrels of oil per day.

11. The evidence presented by applicant did not preclude the drilling of its well at a location 330' from the eastern boundary of the SW/4 of said Section 9.

12. The N/2 of said Section 9 has not been drilled to the Pool.

13. The horizontal extent of the Pool has not been reasonably ascertained at this time.

14. Granting of an exception to the standard proration unit requirement of the Special Pool Rules would be premature at this time.

15. Applicant's request for a non-standard proration unit consisting of the E/2 W/2 of said Section 9 should be denied.

16. The SW/4 of said Section 9, being a standard proration unit in accordance with the Special Rules, has an approximate total of 14.5 productive acres.

17. The proper allowable factor for applicant's proposed well should be a percentage obtained by dividing the number of approximate productive acres in the SW/4 of said Section 9 by the total acres contained in the SW/4, being 160 acres, more or less.

18. The allowable factor for applicant's well should be 9.0625% which corresponds to a penalty factor of 90.9375%.

19. To prevent waste through premature encroachment of water the allowable factor for the proposed well should be further reduced by a ratio of the current producing rate of the Holstrom Federal Well No. 1 (270 barrels of oil per day) and the top allowable for the Pool (515 barrels of oil per day), being a percentage equal to 52.42718%.

20. The adjusted allowable factor attributable to the oil production of the proposed well should be 4.311287% which corresponds to a penalty factor of 95.688713%.

21. Granting of the application at a location 330' from the eastern boundary of a standard proration unit consisting of the SW/4 of said Section 9, subject to a penalty factor of 95.688713%, will prevent waste and protect the correlative rights of the applicant and of the other interest owners in the Pool.

22. Testimony during the hearing indicated a strong likelihood of an easterly drill bit drift and that a continuous directional drilling survey should be conducted during the drilling of the proposed well.

IT IS THEREFORE ORDERED:

1. The application for a non-standard proration unit is hereby denied.

2. The application of an unorthodox location is approved subject to:

- (a) The bottomhole location of the proposed well being no closer than 330' from the eastern boundary of a standard proration unit comprised of the SW/4 of Section 9, Township 14 South, Range 29 East, N.M.P.M., Chaves County, New Mexico;
- (b) Other well location requirements of the Special Rules are followed by the applicant;
- (c) Oil production from the proposed well shall be restricted by a penalty factor of 95.688713% applicable against the top allowable for the Pool.
- (d) Applicant shall run a continuous directional drilling survey and shall file a copy thereof with the Division's appropriate district office and with all parties to this proceeding as soon thereafter after total depth is reached.

3. Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem appropriate.

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

EXHIBIT A

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Chevron, USA Inc.
Post Office Box 1150
Midland, Texas 79702

Santa Fe Exploration
Post Office Box 1136
Roswell, New Mexico 88201

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
MARTE D. LIGHTSTONE
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 7, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Re: Application of Curry and Thornton for a Non-Standard
Proration Unit and, Unorthodox Well Location, Chaves
County, New Mexico

Gentlemen:

This letter is to advise you that Curry and Thornton has filed the enclosed application with the New Mexico Oil Conservation Division. You have an interest that may be affected by the enclosed application.

This application has been set for hearing before a Division Examiner on March 1, 1989. You are not required to attend this hearing, but as an owner of an interest that may be subject to the non-standard proration unit or affected by the unorthodox well location, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Very truly yours,

Maude Lightstone for

WILLIAM F. CARR
ATTORNEY FOR CURRY AND THORNTON
WFC:mlh
Enclosure

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent the card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for rates and check boxes for additional services requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to:		4. Article Number P 106 676 580	
Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210		Type of Service: <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> COD <input type="checkbox"/> Return Receipt for Merchandise	
5. Signature — Address X		Always obtain signature of addressee or agent and DATE DELIVERED.	
6. Signature — Agent X		8. Addressee's Address (ONLY if requested and fee paid)	
7. Date of Delivery X			

PS Form 3811, Mar. 1988 * U.S.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

P-106 676 580

POST OFFICE OF CERTIFIED MAIL
 U.S. POSTAL SERVICE
 (See Reverse)

Sent to Yates Petroleum Corp.	
Street and No. 105 S. Fourth Street	
P.O. State and ZIP Code Artesia, NM 88210	
Postage	\$.25
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.00
Postmark or Date February 7, 1989	

PS Form 3800 5861 5unf

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
MARTE D. LIGHTSTONE
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 7, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Chevron, USA Inc.
Post Office Box 1150
Midland, Texas 79702

Re: Application of Curry and Thornton for a Non-Standard
Proration Unit and, Unorthodox Well Location, Chaves
County, New Mexico

Gentlemen:

This letter is to advise you that Curry and Thornton has filed the enclosed application with the New Mexico Oil Conservation Division. You have an interest that may be affected by the enclosed application.

This application has been set for hearing before a Division Examiner on March 1, 1989. You are not required to attend this hearing, but as an owner of an interest that may be subject to the non-standard proration unit or affected by the unorthodox well location, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Very truly yours,

Marte Lightstone ML

WILLIAM F. CARR
ATTORNEY FOR CURRY AND THORNTON
WFC:mlh
Enclosure

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for rates and check box(es) for additional service(s) requested.
 1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
 Chevron USA Inc.
 Post Office Box 1150
 Midland, Texas 79702

4. Article Number
 P 106 676 581

Type of Service:
 Registered
 Certified
 Express Mail
 Insured
 COD
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address
 X

6. Signature - Agent
 X *[Signature]*

7. Date of Delivery
February 7, 1989

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

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

P-106 676 581

RECEIPT FOR REGISTERED MAIL
 RECEIPT FOR REGISTERED MAIL
 RECEIPT FOR REGISTERED MAIL
 (See Reverse)

Sent to Chevron USA Inc.	
Street and No. P. O. Box 1150	
P.O. State and ZIP Code Midland, Texas 79702	
Postage	\$.25
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.00
Postmark or Date February 7, 1989	

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
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JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 7, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Santa Fe Exploration
Post Office Box 1136
Roswell, New Mexico 88201

Re: Application of Curry and Thornton for a Non-Standard
Proration Unit and, Unorthodox Well Location, Chaves
County, New Mexico

Gentlemen:

This letter is to advise you that Curry and Thornton has filed the enclosed application with the New Mexico Oil Conservation Division. You have an interest that may be affected by the enclosed application.

This application has been set for hearing before a Division Examiner on March 1, 1989. You are not required to attend this hearing, but as an owner of an interest that may be subject to the non-standard proration unit or affected by the unorthodox well location, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Very truly yours,

Marte Lightstone for

WILLIAM F. CARR
ATTORNEY FOR CURRY AND THORNTON
WFC:mlh
Enclosure

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent the item from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for rates and check boxes for additional services requested.
 1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to:		4. Article Number	
Santa Fe Exploration P. O. Box 1136 Roswell, New Mexico 88201		P 106 676 579	
5. Signature - Address X		Type of Service: <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> COD <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.	
6. Signature - Agent X		8. Addressee's Address (ONLY if requested and fee paid)	
7. Date of Delivery 2-9-89			

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

P-106 676 579

U.S. AIR MAIL
 REGISTERED MAIL
 RETURN RECEIPT MAIL
 Restricted Delivery

Send to	
Santa Fe Exploration	
Street and No. P. O. Box 1136	
City, State and ZIP Code Roswell, New Mexico 88201	
Postage	\$.25
Insured Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.00
Postmark or Date February 7, 1989	

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

Case No. 7304
Order No. R-6792

APPLICATION OF ARCO OIL AND GAS
COMPANY FOR DIRECTIONAL DRILLING
AND AN UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 15, 1981, and on August 12, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 2nd day of October, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That 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, ARCO Oil and Gas Company, seeks authority to directionally drill its Custer Wells Well No. 1, the surface location of which is 1810 feet from the North line and 2164 feet from the West line of Section 6, Township 25 South, Range 37 East, Custer Field, in such a manner as to penetrate the Devonian formation at an unorthodox location within 100 feet of a point approximately 1800 feet from the North line and 1480 feet from the West line of said Section 6, and to bottom said well at a standard location in the Ellenburger formation within 100 feet of a point approximately 1650 feet from the North line and 760 feet from the West line of said Section 6, but in no event closer than 660 feet to said line. The N/2 of said Section 6 would be dedicated to each of said formations.

(3) That the offset operator to the west, Conoco, Inc., appeared at the hearing and objected to the unorthodox Devonian location on grounds that it would cause drainage of hydrocarbons from under the E/2 of Section 1, Township 25 South, Range 36 East, NMPM, being the spacing and proration unit dedicated to Conoco's wells Federal B-1 Well No. 5, located 1650 feet from the North line and 660 feet from the East line of said Section 1, and would therefore impair Conoco's correlative rights.

(4) That the Custer-Devonian Gas Pool appears to be of very limited lateral extent, being bounded on the north and east by a northwest/southeast trending fault and on the south and west by a productive limit based on reservoir rock quality and structure.

(5) That from the best information available, it would appear that because of the size and shape of the reservoir, none of the wells presently completed in said reservoir, nor the subject well, has dedicated thereto a fully productive 320-acre tract.

(6) That the Division, in determining the appropriate penalty for wells drilled at unorthodox locations or on tracts which are shown to be only partially productive, most often relies on a straight acreage determination of drainage impingement onto offsetting tracts or of productive areas.

(7) That inasmuch as each well in the Custer-Devonian Gas Pool appears to have less than 320 productive acres dedicated thereto, and no well's production has been penalized heretofore, determination of a penalty factor based on straight acreage in the instant case would be arbitrary and unjust and would not protect correlative rights.

(8) That Section 70-2-33 H, NMSA, 1978 Compilation, defines correlative rights as being "...the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool...."

(9) That the protection of correlative rights in this particular case can best be served by not utilizing the usual methods of straight acreage penalty determination, but by utilizing a formula involving net acre-feet of pay.

(10) That the only offsetting well to applicant's Custer Wells Well No. 1 which would be adversely affected by said well is the Conoco Wells Federal B-1 Well No. 5, located as described in Finding No. (3) above.

(11) That according to the best available evidence at the hearing, said Conoco Wells Federal B-1 Well No. 5 has some 16,514

acre-feet of Devonian pay within its dedicated spacing and proration unit (the E/2 of Section 1, Township 25 South, Range 36 East, NMPM) which it can presumably drain.

(12) That according to the best available evidence at the hearing, the proposed well, ARCO's Custer Wells Well No. 1, would have some 15,387 acre feet of Devonian pay within its dedicated spacing and proration unit (the N/2 of Section 6, Township 25 South, Range 37 East, NMPM) which it would presumably drain.

(13) That inasmuch as said ARCO Custer Wells Well No. 1 would have less acre-feet of Devonian pay available to the well-bore than does the Conoco Wells Federal B-1 Well No. 5, said ARCO Custer Wells Well No. 1 should be penalized to offset any advantage it might gain over the Conoco well by reason of its unorthodox location.

(14) That such penalty should be based on the ratio of productive acre-feet dedicated to one well to productive acre feet dedicated to the other well and calculated as follows:

Production limitation factor =

$$\frac{\text{net acre-feet of Devonian pay dedicated to ARCO well}}{\text{net acre-feet of Devonian pay dedicated to Conoco well}} =$$

$$\frac{15,387}{16,514} = .93$$

(15) That in the absence of any special rules and regulations for the prorationing of production from the Devonian formation, the aforesaid production limitation factor should be applied against said well's ability to produce into the pipeline as determined by periodic well tests.

(16) That the minimum calculated allowable for the subject well should be reasonable, and 1,000,000 cubic feet of gas per day is a reasonable figure for such minimum allowable.

(17) That the applicant should be required to determine the subsurface location of the kick-off point in the subject well prior to directional drilling, and to determine the subsurface location of the Devonian pay and the Ellenburger pay by means of a continuous multi-shot directional survey conducted subsequent to said directional drilling, if said well is to be completed as a producing well.

(18) That approval of the subject application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject reservoir or other productive zones found, 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:

(1) That the applicant, ARCO Oil and Gas Company, is hereby authorized to directionally drill its Custer Wells Well No. 1, the surface location of which is 1810 feet from the North line and 2164 feet from the West line of Section 6, Township 25 South, Range 37 East, NMPM, Custer Field, Lea County, New Mexico, in such a manner as to penetrate the Devonian formation at an unorthodox location within 100 feet of a point 1800 feet from the North line and 1480 feet from the west line of said Section 6, and to bottom said well in the Ellenburger formation within 100 feet of a point 1650 feet from the North line and 760 feet from the West line of said Section 6, and in no event closer than 660 feet to said west line of said Section 6.

(2) That the N/2 of the aforesaid Section 6 shall be dedicated to said well in both the Custer-Devonian Gas Pool and the Custer-Ellenburger Gas Pool.

(3) That prior to directional drilling of said well, the operator shall determine the subsurface location of the kick-off point.

(4) That subsequent to the above-described directional drilling, should said well be a producer, a continuous multi-shot directional survey shall be made of the wellbore of the well from total depth to the kick-off point with shot points not more than 100 feet apart; that the operator shall cause the surveying company to forward a copy of the survey report directly to the Santa Fe Office of the Division, P. O. Box 2088, Santa Fe, New Mexico, and that the operator shall notify the Division's Hobbs District Office of the date and time said survey is to be commenced.

(5) That Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depth.

IT IS FURTHER ORDERED:

(1) That the ARCO Custer Wells Well No. 1 is hereby assigned a Production Limitation Factor of 0.93 in the Devonian formation.

(2) That in the absence of any Special Rules and Regulations prorating gas production in said Devonian formation, the special rules hereinafter promulgated shall apply.

(3) That the following Special Rules and Regulations for a non-prorated gas well at an unorthodox location shall apply to the subject well:

SPECIAL RULES AND REGULATIONS
FOR THE
APPLICATION OF A "PRODUCTION LIMITATION FACTOR"
TO A NON-PRORATED GAS WELL

APPLICATION OF RULES

RULE 1. These rules shall apply to the Devonian formation completion of the ARCO Oil and Gas Company Custer Wells Well No. 1, the surface location of which is 1810 feet from the North line and 2164 feet from the West line of Section 6, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, which well's Production Limitation Factor of 0.93 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production.

RULE 2. The allowable period for the subject well shall be six months.

RULE 3. The year shall be divided into two allowable periods commencing at 7:00 o'clock a.m. on January 1 and July 1.

DETERMINATION OF DELIVERY CAPACITY

RULE 4. Immediately upon connection of the well the operator shall determine the open flow capacity of the well in accordance with the Division "Manual for Back-Pressure Testing of Natural Gas Wells" then current, and the well's initial deliverability shall be calculated against average pipeline pressure.

RULE 5. The well's "subsequent deliverability" shall be determined twice a year, and shall be equal to its highest single day's production during the months of April and May or October and November, whichever is applicable. Said subsequent deliverability, certified by the pipeline, shall be submitted to the appropriate District Office of the Division not later than June 15 and December 15 of each year.

RULE 6. The Division Director may authorize special deliverability tests to be conducted upon a showing that the well

has been worked over or that the subsequent deliverability determined under Rule 5 above is erroneous. Any such special test shall be conducted in accordance with Rule 4 above.

RULE 7. The operator shall notify the appropriate district office of the Division and all offset operators of the date and time of initial or special deliverability tests in order that the Division or any such operator may at their option witness such tests.

CALCULATION AND ASSIGNMENT OF ALLOWABLES

RULE 8. The well's allowable shall commence upon the date of connection to a pipeline and when the operator has complied with all appropriate filing requirements of the Rules and Regulations and any special rules and regulations.

RULE 9. The well's allowable during its first allowable period shall be determined by multiplying its initial deliverability by its production limitation factor.

RULE 10. The well's allowable during all ensuing allowable periods shall be determined by multiplying its latest subsequent deliverability, as determined under provisions of Rule 5, by its production limitation factor. If the well shall not have been producing for at least 60 days prior to the end of its first allowable period, the allowable for the second allowable period shall be determined in accordance with Rule 9.

RULE 11. Revision of allowable based upon special well tests shall become effective upon the date of such test provided the results of such test are filed with the Division's district office within 30 days after the date of the test; otherwise the date shall be the date the test report is received in said office.

RULE 12. Revised allowables based on special well tests shall remain effective until the beginning of the next allowable period.

RULE 13. In no event shall the well receive an allowable of less than one million cubic feet of gas per day.

BALANCING OF PRODUCTION

RULE 14. January 1 and July 1 of each year shall be known as the balancing dates.

RULE 15. If the well has an underproduced status at the end of a six-month allowable period, it shall be allowed to carry such underproduction forward into the next period and may produce

such underproduction in addition to its regularly assigned allowable. Any underproduction carried forward into any allowable period which remains unproduced at the end of the period shall be cancelled.

RULE 16. Production during any one month of an allowable period in excess of the monthly allowable assigned to the well shall be applied against the underproduction carried into the period in determining the amount of allowable, if any, to be cancelled.

RULE 17. If the well has an overproduced status at the end of a six-month allowable period, it shall be shut in until such overproduction is made up.

RULE 18. If, during any month, it is discovered that the well is overproduced in an amount exceeding three times its average monthly allowable, it shall be shut in during that month and during each succeeding month until it is overproduced in an amount three times or less its monthly allowable, as determined hereinabove.

RULE 19. The Director of the Division shall have authority to permit the well, if it is subject to shut-in pursuant to Rules 17 and 18 above, to produce up to 500 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for the well if it has produced in excess of the monthly rate authorized by the Director.

RULE 20. The Division may allow overproduction to be made up at a lesser rate than permitted under Rules 17, 18, or 19 above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

GENERAL

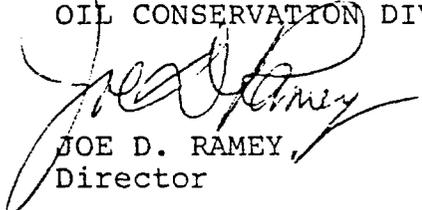
RULE 21. Failure to comply with the provisions of this order or the rules contained herein or the Rules and Regulations of the Division shall result in the cancellation of allowable assigned to the well. No further allowable shall be assigned to the well until all rules and regulations are complied with. The Division shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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Case No. 7304
Order No. R-6792

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY,
Director

S E A L

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
MARTE D. LIGHTSTONE
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 7, 1989

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

RECEIVED
FEB 7 1989
OIL CONSERVATION DIVISION
Case 9617

Re: In the Matter of the Application of Curry and Thornton
for a Non-Standard Proration Unit and, Unorthodox Well
Location, Chaves County, New Mexico

Dear Mr. LeMay:

Enclosed please find an Application of Curry and Thornton in the
above-referenced case. Curry and Thornton respectfully requests
that this matter be placed on the docket for the Examiner hearings
scheduled on March 1, 1989.

Very truly yours,

John H. Bemis
for WILLIAM F. CARR

160 acre units
660/200 locations

WFC:mlh
Enclosures
cc w/enclosures: Mr. Don Stevens

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF CURRY AND THORNTON FOR A
NON-STANDARD PRORATION UNIT
AND, UNORTHODOX WELL LOCATION,
CHAVES COUNTY, NEW MEXICO.

RECEIVED

FEB 1981

CASE NO. 9617

OIL CONSERVATION DIVISION

APPLICATION

COMES NOW CURRY AND THORNTON, by and through its undersigned attorneys, and as provided by Section 70-2-17, N.M.S.A. (1978), hereby makes application to the Oil Conservation Division for approval of a non-standard proration unit and an unorthodox oil well location, and in support thereof would show the Division:

1. Applicant is the operator of the E/2 W/2 of Section 9, Township 14 South, Range 29 East, N.M.P.M., Chaves County, New Mexico and proposes to drill a well to a point 1980 feet from the South line and 2475 feet from the West line of said Section 9.

2. Applicant seeks an exception to the well location requirements of Rule 4 of the Special Rules and Regulations for the North King Camp-Devonian Pool promulgated by Oil Conservation Division Order R-8806 to permit the drilling of a well at the above described unorthodox location to a depth sufficient to adequately test the Devonian formation, North King Camp-Devonian Pool.

3. Applicant also seeks an exception to Rule 2 of the Special Rules and Regulations for the North King Camp-Devonian Pool to permit the dedication to the proposed well of a non-standard

160-acre proration unit comprised of the E/2 W/2 of said Section 9.

4. That approval of this application will afford applicant the opportunity to produce its just and equitable share of hydrocarbons underlying this spacing unit and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant prays that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on March 1, 1989, and that after notice and hearing as required by law, the Division enter its order granting this application and providing such other and further relief as is proper in the premises.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: John H. Bemis
for WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CURRY AND THORNTON

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

RECEIVED

IN THE MATTER OF THE APPLICATION
OF CURRY AND THORNTON FOR A
NON-STANDARD PRORATION UNIT
AND, UNORTHODOX WELL LOCATION,
CHAVES COUNTY, NEW MEXICO.

FEB 7 1980

OIL CONSERVATION DIVISION

CASE NO. 9617

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1. Applicant is the operator of the E/2 W/2 of Section 9, Township 14 South, Range 29 East, N.M.P.M., Chaves County, New Mexico and proposes to drill a well to a point 1980 feet from the South line and 2475 feet from the West line of said Section 9.

2. Applicant seeks an exception to the well location requirements of Rule 4 of the Special Rules and Regulations for the North King Camp-Devonian Pool promulgated by Oil Conservation Division Order R-8806 to permit the drilling of a well at the above described unorthodox location to a depth sufficient to adequately test the Devonian formation, North King Camp-Devonian Pool.

3. Applicant also seeks an exception to Rule 2 of the Special Rules and Regulations for the North King Camp-Devonian Pool to permit the dedication to the proposed well of a non-standard

160-acre proration unit comprised of the E/2 W/2 of said Section 9.

4. That approval of this application will afford applicant the opportunity to produce its just and equitable share of hydrocarbons underlying this spacing unit and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant prays that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on March 1, 1989, and that after notice and hearing as required by law, the Division enter its order granting this application and providing such other and further relief as is proper in the premises.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: John H. Bennis
for WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CURRY AND THORNTON

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERAL ~~RECEIVED~~ NATURAL RESOURCES

FEB 7

IN THE MATTER OF THE APPLICATION
OF CURRY AND THORNTON FOR A
NON-STANDARD PRORATION UNIT
AND, UNORTHODOX WELL LOCATION,
CHAVES COUNTY, NEW MEXICO.

OIL CONSERVATION

CASE NO. 9617

APPLICATION

COMES NOW CURRY AND THORNTON, by and through its undersigned attorneys, and as provided by Section 70-2-17, N.M.S.A. (1978), hereby makes application to the Oil Conservation Division for approval of a non-standard proration unit and an unorthodox oil well location, and in support thereof would show the Division:

1. Applicant is the operator of the E/2 W/2 of Section 9, Township 14 South, Range 29 East, N.M.P.M., Chaves County, New Mexico and proposes to drill a well to a point 1980 feet from the South line and 2475 feet from the West line of said Section 9.

2. Applicant seeks an exception to the well location requirements of Rule 4 of the Special Rules and Regulations for the North King Camp-Devonian Pool promulgated by Oil Conservation Division Order R-8806 to permit the drilling of a well at the above described unorthodox location to a depth sufficient to adequately test the Devonian formation, North King Camp-Devonian Pool.

3. Applicant also seeks an exception to Rule 2 of the Special Rules and Regulations for the North King Camp-Devonian Pool to permit the dedication to the proposed well of a non-standard

160-acre proration unit comprised of the E/2 W/2 of said Section 9.

4. That approval of this application will afford applicant the opportunity to produce its just and equitable share of hydrocarbons underlying this spacing unit and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant prays that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on March 1, 1989, and that after notice and hearing as required by law, the Division enter its order granting this application and providing such other and further relief as is proper in the premises.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: John H. Bemis
for WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CURRY AND THORNTON

Case 9617
 Docket No. 7-89
 Hearing Date 3/1/89

Curry & Thornton NSL-NSP
 King Camp New pool

Applicant	Opposition: Padilla - Santa Fe Equal
Attorney: Wm F Carr (2)	Attorney: Kellahin (3) Exxon
Witness(es): (1)	Witness(es): (1)
Jack Allen (2)	(2)
(3)	(3)

Carr - open
 N. King Camp NSL-NSP case 9529 (R-8806) Santa Fe
 fault

Padilla - no strat
 Kellahin: Exxon, W10 in desc. well - supported reserves. 660/330 sp.
 not closer than 1320' much of W/2 not prod. 2 space of unit.

Record in case 9529 incorporated.

Jack Allen must geol. - std location across fault - will re-determine
 to assume against drift to east. Prod. ac. 95 ac in 95004
 ? ac. in NW

Bill Aycock - Comdt recommends penalty of .363 x 2
 precedent (R-6792) 320 ac sp. was acct of offset std loc
 Compend?

objection by Kellahin

reserve drive. requests expedite order

Padilla X X questions comparison of R-6792 as on all 42

did not make calc of reserves.
 recommended penalty, allow - assumes a penalty to disc. well
 which is on standard location. Holston now prod about 270 bbl

Kellahin X X what other locations examined - 660' to 990' north.

REMARKS:

ORDER ISSUED:
CONTINUED TO:
DISMISSED:
ORDER FINALIZED:
ORDER NO.:
CASE NO.:

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. 9617
ORDER NO. R-8917

APPLICATION OF CURRY AND THORNTON
FOR AN UNORTHODOX OIL WELL LOCATION
AND A NON-STANDARD PRORATION UNIT,
CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 1, 1989, at Santa Fe, New Mexico, before Examiner Victor T. Lyon.

NOW, on this _____ day of April, 1989, 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, Curry and Thornton, owns the leasehold on the W/2 of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico and desires to drill a well thereon for a non-standard unit consisting of the E/2 W/2 of said Section 9 at an unorthodox location 1980 feet from the South line and 2475 feet from the West line (Unit K) of said Section 9 in the King Camp-Devonian Pool.

(3) Santa Fe Exploration and Exxon USA appeared at the hearing and opposed the subject application on the basis that the unorthodox location would impair correlative rights; and if granted, a penalty should be assessed based upon an estimate of pool reserves under each tract.

(4) The discovery well was drilled by Santa Fe Exploration at a standard location 1980 feet from the South and East lines of said Section 9.

(5) Special pool rules for said pool were promulgated by Order No. R-8806 after the hearing held in November, 1988 in Case No. 9529, and provided for 160-acre spacing and proration units consisting of a governmental quarter section with the well to be located not less than 660 feet from the unit boundary, nor less than 330 feet from an inner quarter-quarter section line, nor less than 1320 feet from the nearest well completed in said pool.

(6) Evidence was introduced in Case No. 9529 that there is a fault down-thrown to the west, which traverses the W/2 of said Section 9 in generally a north-south direction continuing southward across Section 16. Additional evidence was introduced in this case which substantiates the existence of the fault.

(7) Santa Fe Exploration drilled a well east of the fault described above which was dry at a standard location 660 feet from the North line and 1980 feet from the East line of Section 16, one-half mile south of the discovery well. The revised geologic interpretation shows a second fault separating the second well from the first.

(8) Evidence indicates that approximately 60 acres east of the fault in the E/2 W/2 of Section 9 is potentially productive, and the applicant is entitled to drill a well to recover the reserves.

(9) A non-standard proration unit consisting of the E/2 W/2 would permit applicant to drill a single well to recover the oil under his lease, whereas two wells drilled for the NW/4 and SW/4 would be uneconomic, unnecessary and would cause waste from drilling an unnecessary well.

(10) There is inadequate data available to make an estimate of reserves with sufficient precision upon which a penalty could be assessed.

(11) Applicant requests an exception to two of the spacing requirements - the minimum distance from the outer boundary of the proration unit and the minimum distance between wells.

(12) Evidence at the hearing indicated that it is necessary to crowd the east line of the proration unit in order to avoid the fault but that a well could be drilled at the minimum distance from the nearest well.

(13) A penalty (P_1) should be assessed for crowding the east line of the unit in proportion to the distance moved from a standard location toward that line or $495/660 = 0.75$.

(14) A further penalty (P_2) should be assessed for crowding the nearest well in proportion to the distance the well is moved toward the nearest well from the minimum distance permitted, or $495/1320 = 0.375$.

(15) The combined penalties should be cumulative so that the proportion of the top allowable assigned at the proposed location would be $(1-P_1) \times (1-P_2)$, or $.25 \times .625 = .15625$.

(16) The distance moved toward the offsetting lease together with the depth of the well indicates a strong possibility the well may encroach even closer to the Santa Fe Exploration lease or even trespass on that lease, and therefore a continuous directional survey should be run on the well and a copy thereof filed with the Division so that the true location of the well at the productive interval can be determined.

(17) The penalty should be based upon the bottomhole location of the well using the procedure described in Finding Paragraphs (13) through (15), above.

(18) The drilling of the well with appropriate penalty as described above 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 Curry and Thornton for an unorthodox oil well location for the North King Camp-Devonian Pool is hereby approved for a well to be located at a point 1980 feet from the South line and 2475 feet from the West line of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico.

(2) The E/2 W/2 of said Section 9 shall be dedicated to the above-described well forming a 160-acre non-standard oil spacing and proration unit for said pool.

(3) A continuous directional survey shall be run on the well and filed with the Division so that the bottomhole location at the producing interval may be determined.

Case No. 9617
Order No. R-8917
Page No. 4

(4) The depth bracket allowable for the well shall be penalized by using the following formula, based on the bottomhole location of the well:

- a. a penalty (P_1) based on the proportion of distance the actual location is moved toward the boundary from the standard location;
- b. a penalty (P_2) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of $(1-P_1) \times (1-P_2)$.

(5) 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.

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

*Stovall re write
with Lyon editing.*

*WJL
4/17*

*M.S. 4/17/89
DRC 4/17/89*

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9617
ORDER NO. 2- 8917

APPLICATION OF CURRY AND THORNTON
FOR AN UNORTHODOX OIL WELL LOCATION
AND A NON-STANDARD PRORATION UNIT,
CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION X

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 1, 1989,
at Santa Fe, New Mexico, before Examiner Victor T. Lyon.

NOW, on this _____ day of April, 1989, 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, Curry and Thornton, owns the leasehold on
the W/2 of Section 9, Township 14 South, Range 29 East, NMPM,
Chaves County, New Mexico and desires to drill a well thereon for
a non-standard unit consisting of the E/2 W/2 of said Section 9 at
an unorthodox location 1980 feet from the South line and 2475 feet
from West line (Unit K) of said Section 9 in the King Camp-Devonian
Pool.

(3) Santa Fe Exploration and Exxon USA appeared at the
hearing and opposed the subject application on the basis that the
unorthodox location would impair correlative rights; and, if granted,
a penalty should be assessed based upon *an estimate* of pool
reserves *under cash tract*.

(4) The discovery well was drilled by Santa Fe Exploration
at a standard location 1980 feet from the South and East lines of
said Section 9.

(5) Special pool rules for said pool were promulgated by Order No. E-8806 after the hearing held in November 1983 in Case No. 9529, and provided for 160-acre spacing and proration units consisting of a governmental quarter section with the well to be located not less than 660 feet from the unit boundary, nor less than 330 feet from an inner quarter-quarter section line, nor less than 1320 feet from the nearest well completed in said pool.

(6) ~~There was~~ Evidence ^{was} introduced in Case No. 9529 ^{what} there is a fault, down-thrown to the west, which traverses the W/2 of said Section 9 in generally a north-south direction continuing southward across Section 16. Additional evidence was introduced in this case which substantiates the existence of the fault.

(7) Santa Fe Exploration drilled a well ^{east of the fault described above} which was dry at a standard location 660 feet from the North line and 1980 feet from the East line of Section 16, ~~One-half mile south of the discovery well, which indicates that the acreage west of the fault is non-productive. The revised geologic interpretation shows a second fault separating the second well from the first.~~

(8) Evidence indicates that approximately 60 acres east of the fault in the E/2 W/2 of Section 9 is potentially productive ^{true} and the applicant is entitled to drill a well to recover the reserves.

(9) A non-standard proration unit consisting of the E/2 W/2 would permit applicant to drill a single well to recover the oil under his lease, whereas two wells drilled for the NW/4 and SW/4 would be uneconomical, unnecessary and would cause waste from drilling an unnecessary well.

~~(10) The geologic interpretation presented in Case No. 9529 showed only the fault described above; however after drilling the dry hole in Section 16, based on no additional data other than that well, the geologic interpretation by Santa Fe Exploration involved a secondary fault separating the second well from the discovery well.~~

(10) There is ^{adequate} insufficient data available to make an estimate of reserves with sufficient precision upon which a penalty could be assessed.

(11) Applicant requests an exception to two of the spacing requirements - the minimum distance from the outer boundary of the proration unit and the minimum distance between wells.

(12) Evidence at the hearing indicated that it is necessary to crowd the east line of the proration unit in order to avoid the fault but that a well could be drilled at the minimum distance from the nearest well.

(13) A penalty (P_1) should be assessed for crowding the east line of the unit in proportion to the distance moved from a standard location toward that line or $495/660 = 0.75$.

(14) A further penalty (P_2) should be assessed for crowding the nearest well in proportion to the distance the well is moved toward the nearest well from the minimum distance permitted, or $495/1320 = 0.375$.

(15) The combined penalties should be cumulative so that the proportion of the top allowable assigned at the proposed location would be $(1-P_1) \times (1-P_2)$, or $.25 \times .625 = .15625$.

(16) The distance moved toward the offsetting lease together with the depth of the well indicates a strong possibility the well may encroach even closer to the Santa Fe Exploration lease or even trespass on that lease, and therefore a continuous directional survey should be run on the well and a copy thereof filed with the Division so that the true location of the well at the productive interval can be determined.

(17) The penalty should be based upon the bottomhole location of the well using the procedure described in Finding Paragraphs (13) through (15), above.

(18) The drilling of the well with appropriate penalty as described above will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool. It 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 the waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Curry and Thornton for an unorthodox oil well location for the North King Camp-Devonian Pool is hereby approved for a well to be located at a point 1980 feet from the South line and 2475 feet from the West line of Section 9, Township 14 south, Range 29 East, NMPM, Chaves County, New Mexico.

(2) The E/2 W/2 of said Section 9 shall be dedicated to the above-described well forming a 160-acre non-standard oil spacing and proration unit for said pool.

(3) A continuous directional survey shall be run on the well and filed with the Division so that the bottom hole location at the producing interval may be determined.

(4) The depth bracket allowable for ^{the} a well by using ^{the} the well drilled at this location shall be penalized following formula, based on the bottom hole location of the well:

- a. a penalty (P_1) based on ^{the} proportion ^{of distance the} actual location is moved toward the boundary from the standard location;
- b. a penalty (P_2) based on ^{the} proportion ^{of distance} actual location is moved toward the nearest well from the minimum distance under the pool rules; ~~and/or~~ ^{and}
- c. the product of $(1-P_1) \times (1-P_2)$.

(5) 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.

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9529
ORDER NO. R-8806

NOMENCLATURE

APPLICATION OF SANTA FE EXPLORATION
COMPANY FOR POOL CREATION, SPECIAL
POOL RULES AND DISCOVERY ALLOWABLE,
CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 22, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 9th day of December, 1988, 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 Exploration Company, is the owner and operator of the Holmstrom Federal Well No. 1 located 1980 feet from the South and East lines (Unit J) of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico, which was spudded July 29, 1988, drilled to a total depth of 9,758 feet, and successfully tested in the Devonian formation.

(3) Applicant now seeks the creation of a new pool for the production of oil from the Devonian formation consisting of the SE/4 of said Section 9 and the promulgation of temporary special rules and regulations therefor including a provision for 160-acre spacing and proration units and designated well location requirements.

(4) Applicant further seeks the assignment of an oil discovery allowable pursuant to Division General Rule 509 to the above-described well but at the time of the hearing, the applicant requested this portion of the application be dismissed.

(5) The evidence presently available indicates that the aforementioned well has discovered a separate common source of supply in the Devonian formation from 9728 to 9758 feet.

(6) There is ample evidence in the record on this case which indicates that the Devonian formation encountered in the above-described well is of high permeability and that the drainage radius of the well will be in excess of 40 acres.

(7) In order to 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, 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 pool.

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

(9) At the request of the applicant, temporary special rules and regulations for the proposed pool should be established for a two-year period in order to allow the operators in the subject pool to gather sufficient reservoir information to show that an 160-acre unit in the area can be efficiently and economically drained and developed by one well.

(10) At the time of the hearing, the applicant requested that the proposed pool be designated the McAlpine-Devonian Pool or in the alternative the North Lucky Lake-Devonian Pool; however, neither name is acceptable at this time.

(11) A new pool classified as an oil pool for Devonian production should be created and designated the North King Camp-Devonian Pool, with vertical limits to include the Devonian formation and the horizontal limits comprising the SE/4 of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico.

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(12) This case should be reopened at an examiner hearing in November, 1990, at which time the operators in the subject pool should be prepared to appear and show cause why the North King Camp-Devonian Pool temporary rules promulgated herein should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Santa Fe Exploration Company a new pool in Chaves County, New Mexico, classified as an oil pool for Devonian production, is hereby created and designated the North King Camp-Devonian Pool, with vertical limits comprising the Devonian formation, and the horizontal limits comprising the following described area:

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM
Section 9: SE/4

(2) Temporary Special Rules for said pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
NORTH KING CAMP-DEVONIAN POOL

RULE 1: Each well completed or recompleted in the North 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 hereinafter set forth.

RULE 2: Each well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a governmental quarter-section being a legal subdivision of the United States Public Lands Survey.

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 non-standard unit consisting of less than 160 acres 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 no nearer than 660 feet to the outer boundary of the proration unit or 330 feet to any governmental quarter-quarter section line or subdivision inner boundary; nor nearer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

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: The allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 515 barrels per day, and in the event there is more than one well on a 160-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 as the acreage in such non-standard unit bears to 160 acres.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the North King Camp-Devonian Pool or in the Devonian 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 within 30 days from the date of this order.

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(4) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the North King Camp-Devonian Pool shall have dedicated thereto 160 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.

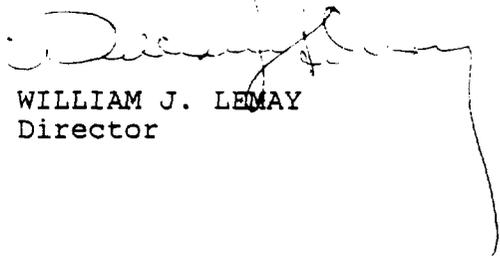
Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the North King Camp-Devonian 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-fourth of a standard allowable for said pool.

(5) This case shall be reopened at an examiner hearing in November 1990 at which time the operators in the subject pool may appear and show cause why the North King Camp-Devonian Pool temporary rules promulgated herein should not be rescinded.

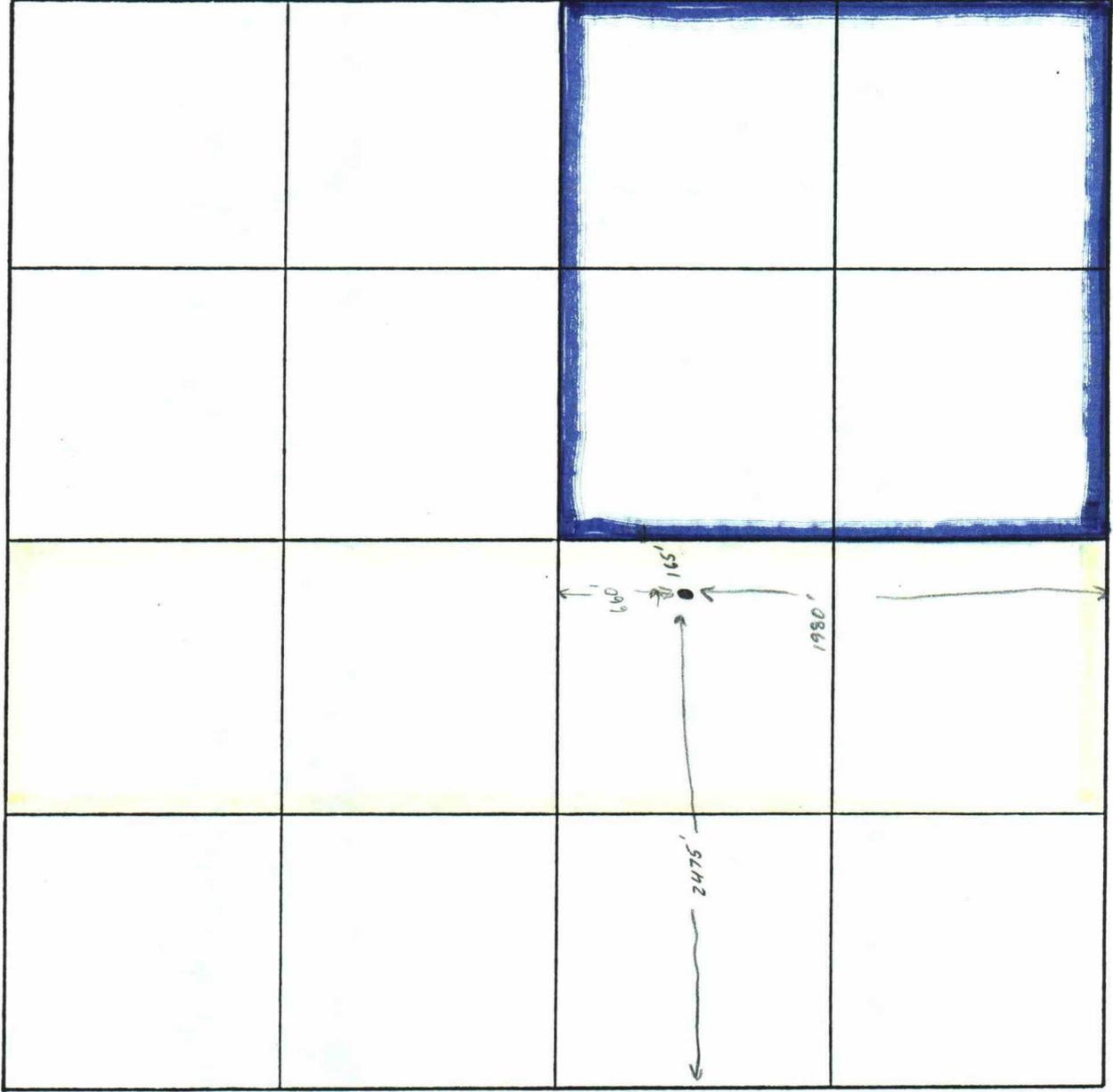
(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L



North King
Camp Division
↙ Pool Boundary

SECTION 9 TOWNSHIP 14 South RANGE 29 East

