

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF HANLEY PETROLEUM INC. FOR
APPROVAL OF AN UNORTHODOX OIL
WELL LOCATION, LEA COUNTY,
NEW MEXICO.

RECEIVED

APR 5 1988

OIL CONSERVATION DIVISION
CASE: 9365

A P P L I C A T I O N

Comes now HANLEY PETROLEUM INC., by and through its attorneys, Kellahin, Kellahin & Aubrey, and applies to the New Mexico Oil Conservation Division for approval of an unorthodox oil well location in the Shipp-Strawn Oil Pool for an oil well to be drilled at an unorthodox location 990 feet FSL and 330 feet FWL of Section 10, T17S, R37E, Lea County, New Mexico, to be dedicated to an 80-acre spacing and proration unit consisting of the W/2SW/4 of said section, and in support thereof would show:

1. Applicant has the right to drill and develop the W/2SW/4 of Section 10, T17S, R37E, NMPM, Lea County, New Mexico.

2. Applicant proposes to drill its well in the Shipp-Strawn Oil Pool at an unorthodox oil well location 990 feet FSL and 330 feet FWL of said Section 10 and to dedicate the W/2SW/4 of said section to the well.

3. Rule 4 of the Special Rules for the subject pool (Order R-8062-a) provides that standard well locations shall be within 150 feet of the center of a quarter-quarter section.

4. The subject well requires an exception to Rule 4 of the Special Rules of the pool in order to be at the optimum location to test the Shipp Strawn Pool in the W/2SW/4 of said section.

5. Applicant requests that this matter be set for hearing on the Examiner's docket of April 27, 1988.

6. Notice to affected offset operators is being sent as required by the rules of the Division.

WHEREFORE, applicant seeks approval of the application as requested.

Kellahin, Kellahin & Aubrey



W. Thomas Kellahin, Esq.
P. O. Box 2265
Santa Fe, New Mexico 87504

CERTIFICATE OF MAILING

I hereby certify under oath that on the 5th day of April, 1988, I caused to be mailed by Certified Mail a true and correct copy of the foregoing letter and application to the following:

Penrzoil Company
P. O. Box 1828
Midland, Texas 79701
Attr: Mr. Lonnie Whitfield

Exxon Company, U.S.A.
P. O. Box 1600
Midland, Texas 79702
Attr: Mr. Doug Laufer

Union Texas Exploration Corp.
400 North Big Springs
Midland, Texas 79705
Attr: Mr. Gary Pitts

Stardard Oil Production Company
9401 Southwest Freeway, Suite 1200
Houston, Texas 77074

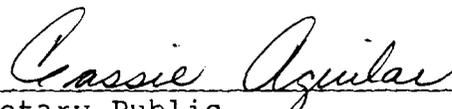
Mr. Charles B. Gillespie, Jr.
P. C. Box 8
Midland, Texas 79702



W. Thomas Kellahin

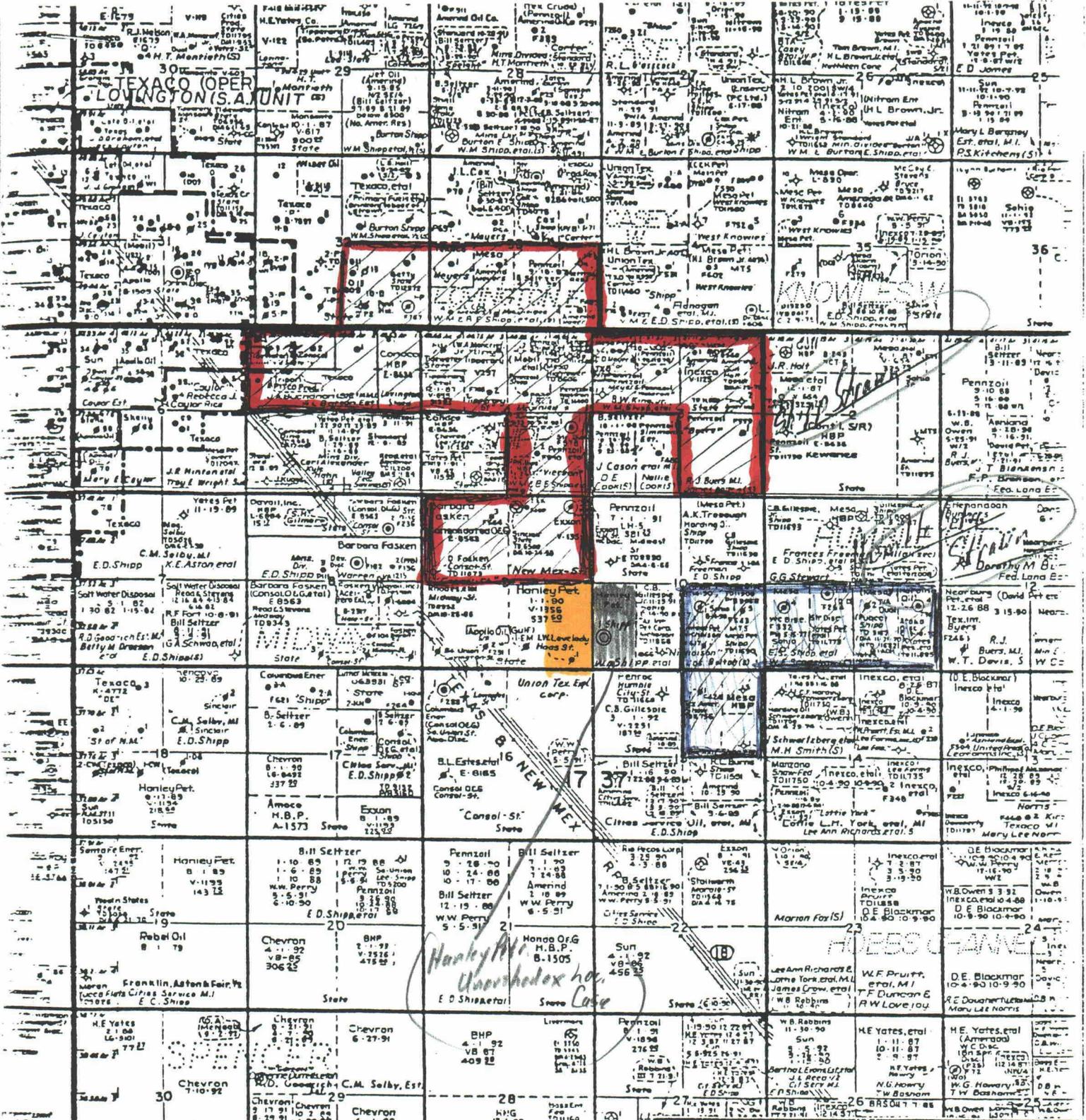
STATE OF NEW MEXICO)
) ss
COUNTY OF SANTA FE)

The foregoing instrument was acknowledged before me this 5th day of April, 1988, by W. Thomas Kellahin.



Notary Public

My Commission Expires:
9-26-91



HANLEY PETROLEUM INC.

MIDWAY PROSPECT LEA CO., NEW MEXICO LEASE PLAT

4000' 0 4000'

SCALE DATE 3/24/88

BY David Gerard

HUMBLE CITY-STRAWN POOL
Lea County, New Mexico

Order No. R-4338, Adopting Temporary Operating Rules for the Humble City-Strawn Field, Lea County, New Mexico, July 17, 1972.

Order No. R-4438-A, July 23, 1973, extends to July 1974, the Temporary Rules adopted in Order No. R-4338.

Order No. R-4338-B, October 22, 1974, makes permanent the rules adopted in Order No. R-4338.

Application of Harding Oil Company for a Discovery Allowable and Special Pool Rules, Lea County, New Mexico.

CASE NO. 4749
Order No. R-4338

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on June 28, 1972, at Santa Fe, New Mexico, before Examiner Elvys A. Diez.

NOW, on this 17th day of July, 1972, the Commission, a quorum being present, 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 Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Harding Oil Company, seeks the production of a discovery allowable for the Humble City-Strawn Pool, Lea County, New Mexico, including a provision for 80-acre proration units.

(3) That the applicant also seeks the assignment of an oil discovery allowable in the amount of approximately 57,100 barrels to the discovery well for said pool.

(4) That the evidence presently available indicates that the Harding Oil Company, E. D. Shipp Well No. 1, located in Unit K of Section 11, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico, discovered a separate common source of supply which has been designated as the Humble City-Strawn Pool. This pool is a separate and distinct geological formation and that the horizontal limits of said pool have previously been defined as the SW/4 of said Section 11.

(5) That the discovery well for the aforesaid pool, E. D. Shipp Well No. 1, located in Unit K of Section 11, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico, is entitled to and should receive a bonus discovery oil allowance in the amount of 57,100 barrels, based upon the top of the perforations in said well at 11,420 feet, to be assigned over a two-year period.

(6) That in order to prevent the seepage loss caused by the drilling of wells to avoid the assignment of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre proration units and economically drilled non-standard units shall be adopted and economically drilled non-standard units shall be permitted.

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

(8) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather necessary information to determine the most efficient and economically drilled and developed by one well.

(9) That this case should be reopened at an examiner hearing in June, 1973, at which time the operators in the subject pool should be prepared to appear and show cause why the Humble City-Strawn Pool should not be developed on other than 40-acre spacing units.

(10) That the horizontal limits of the Humble City-Strawn Pool should be extended to include the SE/4 of the above-described Section 11.

IT IS THEREFORE ORDERED:

(1) That the Humble City-Strawn Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 11: SE/4

(2) That the Harding Oil Company, E. D. Shipp Well No. 1 located in Unit K of Section 11, Township 17 South, Range 37 East, Humble City-Strawn Pool, Lea County, New Mexico, is hereby assigned to said well at the rate of 79 barrels per day in accordance with Rule 509 of the Commission Rules and Regulations.

(3) That temporary Special Rules and Regulations for the Humble City-Strawn Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS

HUMBLE CITY-STRAWN POOL

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

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

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rules 1 and 2 for a non-standard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the

HUMBLE CITY-STRAWN POOL - (Cont'd.)

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 Secretary-Director has received the application.

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

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

RULE 6. A standard proration unit (79 through 81 acres) shall be assigned an 80-acre proportional factor of 6.87 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the well assigned to the unit from the wells on the unit in any proportion.

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

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Humble City-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved, that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before August 1, 1972.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Humble City-Strawn Pool shall have dedicated acreage of 80 acres in accordance with the foregoing pool rules, and that the acreage of said Section 65-3-14.5, existing wells may hereafter be straddled by other non-standard units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 80 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall result in the well being treated as a standard unit. Form C-102 has been filed on all wells in the Humble City-Strawn Pool which have been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Humble City-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in June, 1977, at which time the operators in the subject pool may appear and show cause why the Humble City-Strawn Pool should not be developed on other than 40-acre spacing units.

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

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

BLACK RIVER-PENNSYLVANIAN GAS POOL
Eddy County, New Mexico

Order No. R-4698, Adopting Operating Rules for the Black River-Pennsylvanian Gas Pool, Eddy County, New Mexico, February 1, 1974.

Application of Amoco Production Company for a Discovery Allowable and Special Pool Rules, Eddy County, New Mexico.

CASE NO. 5142
Order No. R-4698

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on January 3, 1974, at Santa Fe, New Mexico, before Examiner Daniel S. Butler.

NOW, on this 15th day of January, 1974, the Commission, a quorum being present, 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 Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Amoco Production Company, is drilling a gas well in the Black River-Pennsylvanian Gas Pool, Eddy County, New Mexico.

(3) That said Black River-Pennsylvanian Gas Pool was created and designated by the Commission by Order No. R-1824 effective December 1, 1960.

(4) That by Commission Order No. R-2707 dated May 25, 1964, Rule 104 of the Commission Rules and Regulations was amended to provide that all gas pools of Pennsylvanian age or older in Southeast New Mexico which were created and defined units, inasmuch as it was found that in Southeast New Mexico, formation completed in the Pennsylvanian formation of a deeper formation (economically and economically drilled and developed a 320-acre tract).

(5) That the applicant in the instant case seeks the promulgation of rules including a provision for 320-acre spacing for the Black River-Pennsylvanian Gas Pool in Eddy County, New Mexico, and that the Commission should amend the provisions of Order No. R-2707 because it was created and defined prior to the cut-off date of June 1, 1964.

(6) That no appearances were made at the hearing of the instant case and no objection was received to the inclusion of the Black River-Pennsylvanian Gas Pool under the provisions of Rule 104 of the Commission Rules and Regulations for gas pools of Pennsylvanian age or older.

(7) That one well in the Black River-Pennsylvanian Gas Pool in Eddy County, New Mexico, will efficiently and economically drain and develop 320 acres of gas pools of Pennsylvanian age or older will not cause waste nor violate correlative rights, and should be approved.

(SAN LUIS-MESAVERDE POOL - Cont'd.)

(2) That for allowable purposes, the 40-acre proportional factor for pools in the 0-5000 foot depth range shall apply to the said San Luis-Mesa Verde Oil Pool.

(3) That special rules and regulations for the said San Luis-Mesa Verde Oil Pool be and the same are hereby promulgated as hereinafter set forth.

**SPECIAL RULES AND REGULATIONS FOR THE
SAN LUIS-MESAVERDE OIL POOL**

RULE 1. Each well drilled in the San Luis-Mesa Verde Oil Pool shall be located no nearer than 150 feet to the outer boundary of the quarter-quarter section on which it is located and shall be located no nearer than 300 feet to the nearest well producing from the same common source of supply; provided, however, that offset wells to the discovery well which are drilled in the NW/4 SE/4 of Section 21 may be located nearer than 300 feet to the discovery well.

RULE 2. No 40-acre proration unit in said San Luis-Mesa Verde Oil Pool shall produce in excess of the 40-acre top unit allowable for wells in the 0-5000 foot depth in Northwest New Mexico, regardless of the number of wells drilled on such 40-acre proration unit.

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

**SHIPP-STRAWN POOL
Lea County, New Mexico**

Order No. R-8062-A, Creating and Adopting Temporary Operating Rules for the Shipp-Strawn Pool, Lea County, New Mexico, January 21, 1986.

Application of the Oil Conservation Division on its Own Motion to Amend Division Order No. R-8062 and to Contract the Horizontal Limits of the East Lovington-Pennsylvanian Pool, Lea County, New Mexico.

CASE NO. 8790
Order No. R-8062-A

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 8 a.m. on December 18, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of January, 1986, 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) Division Order No. R-8062 issued on October 31, 1985, in Case No. 8696 classified, created and designated the Shipp-Strawn Pool, promulgated temporary special rules and regulations therefor, and assigned an oil discovery allowable to the Pennzoil Company Viersen Well No. 1, located 2130 feet from the South line and 660 feet from the East line (Unit I) of Section 4, Township 17 South, Range 37 East, NMPM, all in Lea County, New Mexico.

(3) In the present case, the New Mexico Oil Conservation Division (Division) on its own motion seeks the following amendments to Division Order No. R-8062:

(a) correction of the oil discovery allowable assigned to Pennzoil Company Viersen Well No. 1;

(b) amendment of the horizontal limits of the pool;

(c) revision of the well location provisions of the Special Pool Rules to require well locations to be no further than 150 feet from the center of a governmental quarter-quarter section or lot; and

(d) deletion of the limitation imposed on the pool restricting the applicability of the Special Pool Rules to the area within the pool boundaries.

(4) The Division further seeks to contract the horizontal limits of the East Lovington-Pennsylvanian Pool by the deletion therefrom of the NW/4 NW/4 of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico.

(5) The evidence presented in this case indicated that:

(a) The NW/4 NW/4 of said Section 4 is more properly classified as being in the Shipp-Strawn Pool than the East Lovington-Pennsylvanian Pool;

(b) there is insufficient evidence at this time to include more than the N/2 and SE/4 of said Section 4 within the boundaries of said Shipp-Strawn Pool;

(c) the special rules for the Shipp-Strawn Pool should not be limited to that area only within the boundaries of said pool but should apply also within one mile thereof; and,

(d) rules requiring well locations within 150 feet of the center of the quarter-quarter section would better serve to protect the correlative rights of the owners within said pool.

(6) The evidence presented at this hearing also demonstrated that the discovery allowable assigned to the Pennzoil Company Viersen Well No. 1, located 2130 feet from the South line and 660 feet from the East line of said Section 4, was improperly calculated and should be reduced to 55,595 barrels of oil total.

(7) An order entered amending said discovery allowable, revising said pool boundaries as described above, and incorporating the above described changes in special pool rules will better protect correlative rights and will not result in waste.

(8) The effective date of this order should be January 21, 1986.

IT IS THEREFORE ORDERED THAT:

(1) The East Lovington-Pennsylvanian Pool as heretofore defined and described is hereby contracted by the deletion therefrom of the NW/4 NW/4 of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) The horizontal limits of the Shipp-Strawn Pool, as heretofore defined and described in Lea County, New Mexico are hereby amended to include therein the following described area only:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 4: N/2 and SE/4



1500 WILCO BUILDING/MIDLAND, TEXAS 79701/(915) 684-8051

March 24, 1988

New Mexico Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

RECEIVED

Gentlemen:

Re: Unorthodox Location for a Strawn Test Well
Shipp Strawn Field Area
Lea County, New Mexico

Hanley Petroleum Inc. hereby makes application for approval of an Unorthodox Location for its Shipp No. 1 well to be located 990 feet from the South line and 330 feet from the West line of Section 10, T-17-S, R-37-E on an 80-acre proration unit comprising the W/2 SW/4 Section 10, T-17-S, R-37-E, Lea County, New Mexico.

The location is requested for geologic reasons and in Hanley's judgement a well at the proposed location would prevent waste and protect correlative rights.

Enclosed herewith are data in support of and concerning the request as follows:

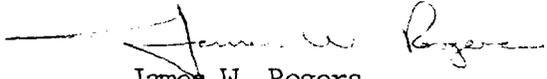
1. Geologic map of the Strawn formation.
2. Discussion of geologic conditions.
3. Lease ownership plat.
4. List of offset leasehold owners.
5. Representative copy of notification letter sent to offset leasehold owners.

With regard to items 4 and 5 above, please be advised that notification (by Certified Mail, 3-24-88) has been made.

Should you require additional information with regard to this application, please do not hesitate to advise.

Yours very truly,

HANLEY PETROLEUM INC.


James W. Rogers
Vice President Land

/bam
Enclosures
xc: w/attachments
New Mexico Oil Conservation Commission
P.O. 1980
Hobbs, New Mexico 88240

OFFSET LEASEHOLD OWNERS

to

W/2 SW/4 Section 10, T-17-S, R-37-E,
Lea County, New Mexico

Mr. C. B. Gillespie
P.O. Box 6
Midland, Texas 79702

Union Texas Exploration Corporation
4000 N. Big Spring
Midland, Texas 79705

Exxon Company USA
P.O. Box 1600
Midland, Texas 79702-1600

Pennzoil Exploration & Production Co
P.O. Box 2967
Houston, Texas 77252

Standard Oil Production Company
9401 SW Freeway, Suite 1200
Houston, Texas 77074



HANLEY PETROLEUM INC.

ESTABLISHED 1893

1500 WILCO BUILDING/MIDLAND, TEXAS 79701/(915) 684-8051

March 24, 1988

VIA: CERTIFIED MAIL-RETURN RECEIPT

Gentlemen:

Re: Unorthodox Location for the
Drilling of an 11,500' Strawn Test Well
Shipp Strawn Field Area
Lea County, New Mexico

Hanley Petroleum Inc. proposes to drill a well in the area of the Shipp Strawn Field located 990' FSL and 330' FWL of Section 10, T-17-S, R-37-E, Lea County, New Mexico.

This location does not conform with the Field Rules of the Shipp Strawn Field. Therefore, Hanley requests that you sign a waiver of a Conservation Commission hearing for an unorthodox location.

Yours very truly,

HANLEY PETROLEUM INC.

James W. Rogers
Vice President Land

/bam

Enclosures 2

New Mexico Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

The undersigned does not object to the unorthodox location of the Hanley Petroleum Inc. Shipp No. 1 well located 990' from the South line and 330' from the West line of Section 10, T-17-S, R-37-E, Lea County, New Mexico, and waives its request for a hearing.

(Company)

By: _____

Title: _____

or

(if signing as Individual)

Date: _____



HANLEY PETROLEUM INC.

ESTABLISHED 1893

1500 WILCO BUILDING/MIDLAND, TEXAS 79701/(915) 684-8051

March 24, 1988

New Mexico Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Re: Unorthodox Location for a Strawn Test Well
Shipp Strawn Field
Lea County, New Mexico

Hanley Petroleum Inc. is preparing to drill an 11,500' Strawn Test Well to be located 990 feet from the South line and 330 feet from the West line of Section 10, T-17-S, R-37-E. We are requesting this unorthodox location for geologic reasons.

In the vicinity of the proposed location, Strawn production is discontinuous and limited to small areal extent as is evidenced in both the Shipp Strawn and the Humble City Fields lying 4500' to the Northwest and 3000' to the East, respectively, from the proposed location. This is due to the fact that formation rock of reservoir quality is isolated to small algal mounds which were formed during Strawn time. Previous exhibits presented by Exxon and Pennzoil at the Shipp Strawn Field rules hearings depict the mounds as being from around 30 to 160 acres in size. Based on subsurface geology and proprietary seismic data, we have prepared a structure map contoured on the top of the Strawn formation. A copy of which is included as backup data accompanying this request. Based on our interpretation of these data, our proposed location is in the optimum position to penetrate one of these postulated mounds, whereas a standard location would incur greater risk and likely result in a dry hole.

Yours very truly,

HANLEY PETROLEUM INC.

Brett K. Bracken
Geologist

/bam

Enclosure