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Santa Fe, New Mexico

Re: CASE NO. 9461
ORDER NO. R-8728

Applicant:

BHP Petroleum Company, Inc.

Dear Sir:

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

Sincerely,

Florence Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other _____

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. 9461
Order No. R-8728

APPLICATION OF BHP PETROLEUM
COMPANY, INC. FOR NON-STANDARD
PRORATION UNITS AND AN UNORTHODOX
GAS 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 August 17, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 31st day of August, 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, BHP Petroleum Company, Inc., seeks approval of an unorthodox gas well location for its proposed Ervin Ranch State Well No. 1 to be located 1650 feet from the South and East lines of Section 5, Township 11 South, Range 27 East, NMPM, Chaves County, New Mexico, all of said Section 5 to be dedicated to said well forming a non-standard 348-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing and Lot 2 and the NW/4 SE/4 of said Section 5 to also be dedicated to said well forming a non-standard 47.06-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing.
- (3) The proposed well location is not located within one mile of any defined oil or gas pool and is therefore

subject to the General Statewide Oil and Gas Spacing Rules and Regulations.

(4) The applicant presented evidence and testimony in this case which indicates that the primary objective in the proposed well is the Montoya formation, with secondary objectives in the Pennsylvanian formation.

(5) The proposed well location is standard for 40-acre oil spacing but is non-standard for 320-acre gas spacing.

(6) The applicant presented evidence and testimony which indicates that a well drilled at the proposed location will penetrate the Montoya formation at a more structurally advantageous position than a well drilled at a standard location for both oil and gas, thereby increasing the likelihood of obtaining a commercial producing well.

(7) The proposed 47.06-acre non-standard oil and 348-acre non-standard gas proration units are necessitated by a variation in the U. S. Public Lands Survey.

(8) No offset operator objected to the proposed non-standard proration units or unorthodox gas well location.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the production in the subject 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 waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, BHP Petroleum Company, Inc., is hereby authorized to drill its Ervin Ranch State Well No. 1 at an unorthodox gas well location 1650 feet from the South and East lines of Section 5, Township 11 South, Range 27 East, NMPM, Chaves County, New Mexico.

(2) A 47.06-acre non-standard oil spacing and proration unit, also hereby approved, consisting of Lot 2 and the NW/4 SE/4 of said Section 5 shall be dedicated to the above-described well in the event of an oil completion.

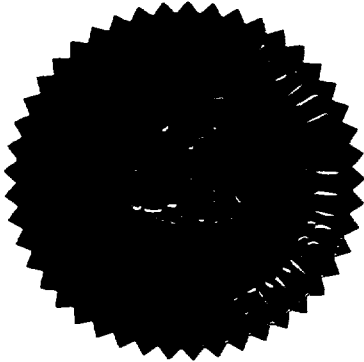
(3) A 348-acre non-standard gas spacing and proration unit, also hereby approved, consisting of all of irregular

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Case No. 9461
Order No. R-8728

Section 5, shall be dedicated to the above described well in the event of a gas completion.

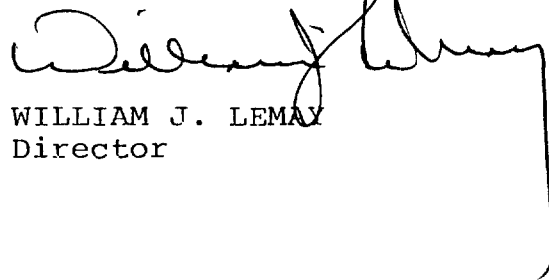
(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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