

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

January 26, 1968

POST OFFICE BOX 2086
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 9255
ORDER NO. R-8591

Applicant:

Petroleum Corporation of New Mexico

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 _____
Artesia OCD _____
Aztec OCD _____

Other Ernest Padilla

State of New Mexico



W.R. HUMPHRIES
COMMISSIONER



Commissioner of Public Lands

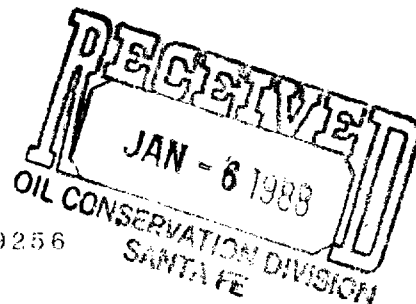
January 9, 1988

SLO REF NO. OG-639

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

New Mexico Oil Conservation Division
ATTENTION: Mr. Michael Stegner
State Land Office Building
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: NMOCD Case No. 9256



Gentlemen:

The purpose of this letter is to enter objection on behalf of the New Mexico State Land Office in NMOCD Case No. 9256, Examiner Hearing, December 2, 1987. The subject case is a request for non-standard proration units and unorthodox location in Section 36, Township 26 South, Range 30 East, Eddy County, New Mexico.

Township 26 South, NMPM is unique in the sense that where it borders Texas, it consists of a tier of non-standard sections. In this case, the Public Lands Survey established Section 36 as a unit consisting of 257.00 acres described as Lots 1, 2, 3, 4 and the NE 1/4. Each Lot consists of nearly 25 acres.

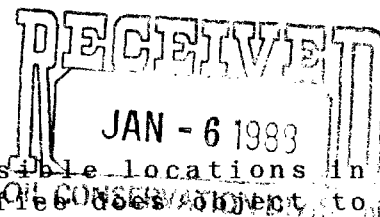
The approach in this request combined three lots into a total of 74.86 acres, cut out one standard 40.00 acre unit and requested waiver on the remaining non standard 34.86 acres. We contend that approval of this substandard unit cuts out Lot 1 from participation in the development of this acreage.

We contend that Lot 1, including 24.56 acres, would never be developed for the following reasons:

- 1 Being substandard in area, the allowable for any well drilled at this location would be approximately one-half.
- 2 Cost of drilling is related to depth, not surface area.

It is an inescapable conclusion that rate of return, return on investment and other economic considerations would be unacceptable in the "pinched back" condition a well on Lot 1 would be required to operate under. Thus, Lot 1 would not be developed. This would result in significant waste of resources under Lot 1. Loss of developmental value would also result in loss of revenue to the State in both taxes and lease sale bonus. It would also deprive a Lessee of income from potential production under Lot 1.

We have no objection to the proposed location on the line between Lots 3 and 4. From the standpoint of conservation, this



location could drain a void between two possible locations in N/2NW/4, in a staggered pattern. The Land Office does object to the unorthodox location proposed for Lot 3 for the reasons enumerated below:

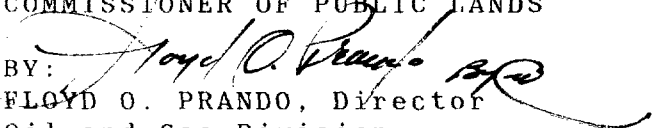
1. Allowing the second well, as proposed, would allow two wells in the 50.10 acres which make up Lots 3 and 4.
2. Drainage radius of the proposed well would clearly overlap a large part of the drainage area of a possible well at standard location NE/4NW/4 Section 36. Such well is being drilled in Unit C at the present time as the Corinne Grace, Win State Well No. 1.
3. Overlap by the unorthodox well would encroach upon a large area of potential reservoir, depriving Corinne Grace of produceable reserves in that area.
4. With a drainage radius of about 742 feet, the unorthodox well would fall far short of draining Lot 1 and the eastern half of Lot 2. This represents a significant waste.

There are well-established procedures available for the development of leases and the concurrent protection of correlative rights. Communitization of Lots 1 and 2 to form a drilling location would probably be the simplest approach. This would eliminate gerrymandering of Lot vs Drilling Unit lines. It would be a direct step toward protecting correlative rights and insuring maximum drainage of Lots 1 and 2.

The State Land Office takes the position that denial of permission requested in Case No. 9256 will protect correlative rights and prevent waste. It is also our position that gerrymandering boundaries of drilling units, without conclusive geologic evidence, serves only to increase the complexity of accounting and administration. There are adequate means provided routinely to avoid the need for unnecessary exceptions.

Very truly yours,

WILLIAM R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5744

WRH/FOP/ES/pm

cc: Lease No. E-920 and V-581



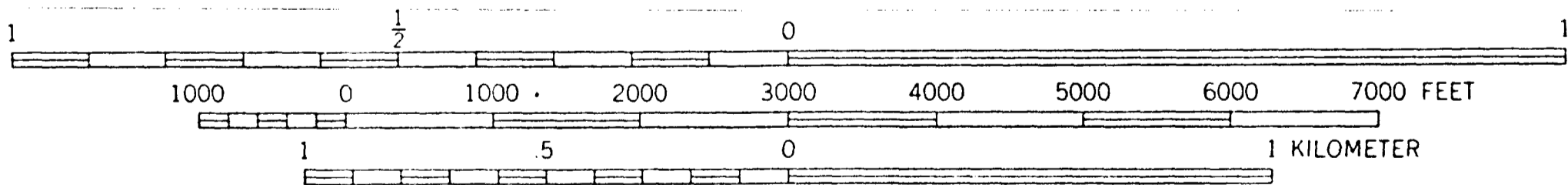
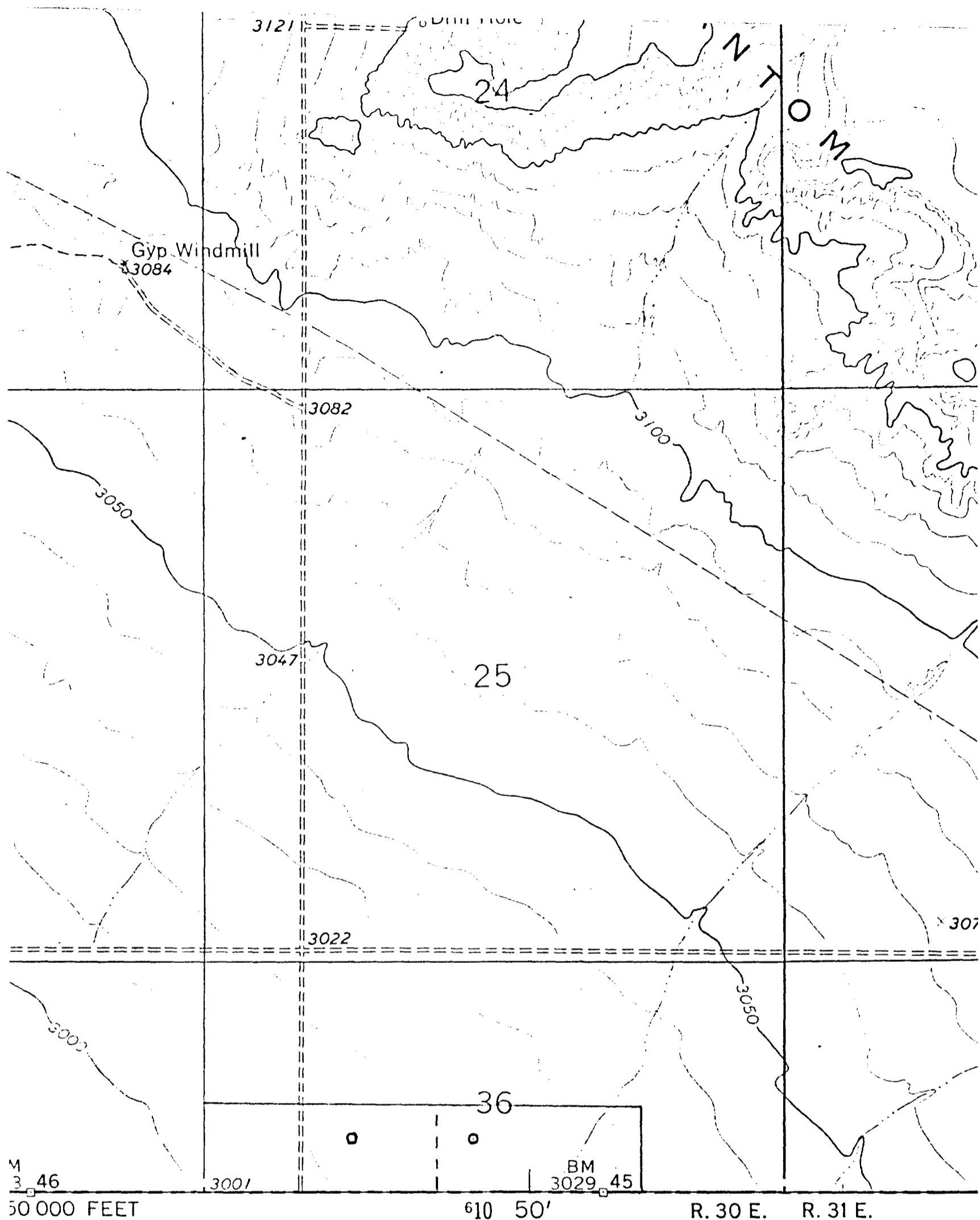
COMMISSIONER OF PUBLIC LANDS

W.R. HUMPHRIES

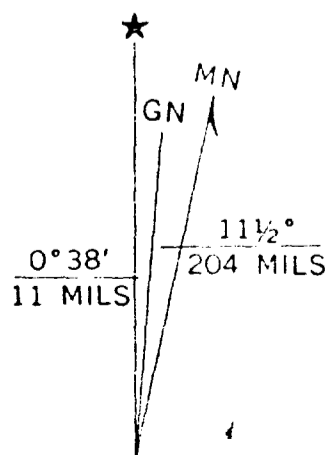
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New Mexico Oil Conservation Division
ATTENTION: Mr. Michael Stogner
State Land Office Building
P. O. Box 2088
Santa Fe, New Mexico 87501



CONTOUR INTERVAL 10 FEET
DATUM IS MEAN SEA LEVEL



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OIL CONSERVATION DIVISION
SANTA FE