

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

April 6, 1988

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. James Bruce
Hinkle, Cox, Eaton,
Coffield & Hensley
Attorneys at Law
Post Office Box 2068
Santa Fe, New Mexico

Re: CASE NO. 9234
ORDER NO. R-3625

Applicant:
Santa Fe Energy Operating Partners,
L.P.

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 William F. Carr

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. 9234
Order No. R-8625

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
FOUR NON-STANDARD GAS PRORATION
UNITS, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 7, 1987, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 5th day of April, 1988, the Division Director, having considered the testimony, the record, 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 Energy Operating Partners, L.P., seeks approval of the following four 160-acre non-standard proration units for the East Carlsbad-Wolfcamp Gas Pool, all in Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico:

The NW/4 of Section 2 to be dedicated to a well to be drilled 660 feet from the North and West lines (Unit D) of said Section 2;

The SW/4 of Section 2 to be dedicated to the existing Chase "2" State Well No. 1 located at a previously approved unorthodox gas well location (NSL-2302) 990 feet from the South line and 1980 feet from the West line (Unit N) of said Section 2;

The NW/4 of Section 11 to be dedicated to a well to be drilled 1980 feet from the North and West lines (Unit F) of said Section 11; and

The SW/4 of Section 11 to be dedicated to a well to be drilled 660 feet from the South and West lines (Unit M) of said Section 11.

(3) The spacing rules for the East Carlsbad-Wolfcamp Gas Pool were based on a showing that a well can efficiently and economically drain at least 320 acres.

(4) The division of a standard unit into two non-standard proration units conflicts with the provisions of the existing pool rules and therefore constitutes a collateral attack on the rules and raises a presumption of waste from the drilling of unnecessary wells in the absence of evidence that the existing well is not draining the assigned acreage or that applicant's correlative rights are being impaired.

(5) The subdivision of an existing proration unit on which production has been developed potentially disturbs vested rights within the proration unit and constitutes a collateral attack on the existing spacing units.

(6) The East Carlsbad-Wolfcamp Gas Pool is an unprorated pool and the drilling of wells on a greater density than that provided in the rules creates a potential violation of correlative rights of other operators in the pool.

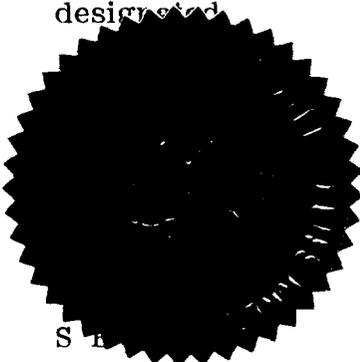
(7) The applicant failed to address how correlative rights will be protected and waste prevented by increasing well density in only a portion of the pool in the absence of gas proration.

IT IS THEREFORE ORDERED THAT:

(1) Applicant's request for the subdivision of the existing two proration units into four 160-acre non-standard spacing and proration units in the W/2 of Section 2, and the W/2 of Section 11, Township 22 South, Range 27 East, Eddy County, New Mexico, is hereby denied.

(2) 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