

**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. 13528
ORDER NO. R-12432**

**APPLICATION OF NORTHSTAR OPERATING COMPANY FOR AN
UNORTHODOX WELL LOCATION, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 8, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of October, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Division Cases No. 13527 and 13528 were consolidated at the hearing for the purpose of testimony.

(3) The applicant, NorthStar Operating Company ("applicant" or "NorthStar"), seeks approval to drill its Fort Well No. 1 at an unorthodox well location 2100 feet from the North line and 2500 feet from the East line (Unit G) of Section 8, Township 15 South, Range 38 East, NMPM, to test the Abo and Wolfcamp formations, Undesignated East Denton-Wolfcamp Pool, Lea County, New Mexico.

(4) The SW/4 NE/4 of Section 8 is to be dedicated to the well forming a standard 40-acre spacing and proration unit.

(5) The East Denton-Wolfcamp Pool is currently governed by 19.15.3.104.(B)(1) NMAC, which requires standard 40-acre spacing and proration units with wells to be located no closer than 330 feet to the outer boundary of the proration unit.

(6) The applicant presented geologic evidence that demonstrates that:

- (a) by utilizing 3-D seismic data, it has identified a structure in the Wolfcamp/Abo interval that is located in the approximate center of the SE/4 NW/4 and SW/4 NE/4 of Section 8; and
- (b) a well drilled at the proposed unorthodox location should penetrate the thickest part of the Wolfcamp/Abo structure, and in an area of greater porosity development than a well drilled at a standard location within the SW/4 NE/4 of Section 8, thereby increasing the likelihood of obtaining commercial oil production.

(7) In order to protect the correlative rights of the interest owners, NorthStar has formed a voluntary exploratory unit comprising the E/2 NW/4 and the W/2 NE/4 of Section 8 (being the subject of companion Case No. 13527). Pursuant to the terms of the East Denton (Wolfcamp) Unit Agreement, all of the interest owners in the unit area will share in the production from the proposed Fort Well No. 1, and from any additional well(s) drilled within the unit area.

(8) No interest owner appeared at the hearing in opposition to the application.

(9) Approval of the subject application will afford NorthStar the opportunity to produce its just and equitable share of the oil in the Wolfcamp/Abo interval underlying the SW/4 NE/4 of Section 8, will result in the recovery of additional oil reserves from this area that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

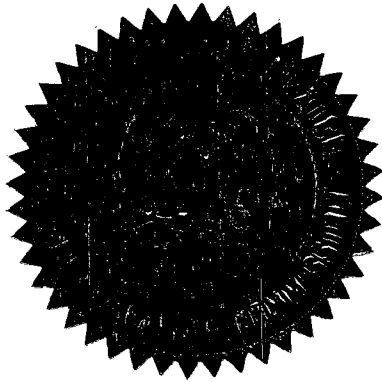
IT IS THEREFORE ORDERED THAT:

(1) The applicant, NorthStar Operating Company is hereby authorized to drill its Fort Well No. 1 at an unorthodox oil well location 2100 feet from the North line and 2500 feet from the East line (Unit G) of Section 8, Township 15 South, Range 38 East, NMPM, to test the Abo and Wolfcamp formations, Undesignated East Denton-Wolfcamp Pool, Lea County, New Mexico.

(2) The SW/4 NE/4 of Section 8 shall be dedicated to the well forming a standard 40-acre spacing and proration unit.

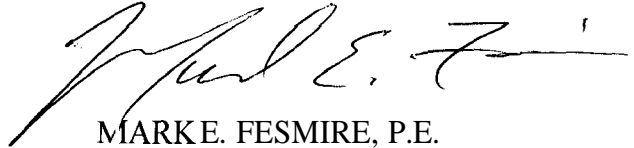
(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARKE. FESMIRE, P.E.
Director