

**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. 10871 (De Novo)
Order No. R-10046-A**

**APPLICATION OF SANTA FE ENERGY OPERATING
PARTNERS, L. P., FOR COMPULSORY POOLING,
TO SHUT IN A PRODUCING WELL, AND FOR A NON-
STANDARD SPACING AND PRORATION UNIT, EDDY
COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on March 10, 1994, at Santa Fe, New Mexico, before the Oil Conservation Commission ("the Commission").

NOW, on this 29th day of April, 1994, the Commission, a quorum being present, having considered the testimony and the record, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) The applicant in Case No. 10871, Santa Fe Energy Operating Partners, L. P. ("Santa Fe") sought:

- (a) an order pooling all mineral interests from the surface to the base of the South Dagger Draw-Upper Pennsylvanian Associated Pool underlying the W/2 of Section 10, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including the South Dagger Draw-Upper Pennsylvanian Associated Pool, said unit to be dedicated to a well to be drilled at a standard location within the SW/4 of Section 10;

- (b) a 160-acre non-standard spacing and proration unit in the South Dagger Draw-Upper Pennsylvanian Associated Pool comprising the SE/4 of Section 10, said unit to be dedicated to the existing Yates Petroleum Corporation ("Yates") Ocotillo "ACI" Federal Well No. 2 located 660 feet from the South and East lines (Unit P) of Section 10; and
- (c) to have the existing Yates Judith "AIJ" Federal Well No. 1 located 660 feet from the South and East lines (Unit P) of Section 9, Township 20 South, Range 24 East, NMPM, shut-in until Santa Fe's proposed well in the SW/4 of Section 10 was drilled.

(3) In a companion case, Case No. 10875, Yates sought an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the S/2 of Section 10, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including the South Dagger Draw-Upper Pennsylvanian Associated Pool. Said unit was to be dedicated to the aforesaid Ocotillo "ACI" Federal Well No. 2.

(4) After a consolidated hearing on the above cases, the Division dismissed both cases based upon a finding that Santa Fe and Yates had voluntarily agreed to a S/2 unit for the Ocotillo "ACI" Federal Well No. 2.

(5) Santa Fe timely filed an application for hearing De Novo in Case No. 10871. Order No. R-10046 was not appealed as to Case No. 10875.

(6) The NE/4 of said Section 10 is within the boundaries of the North Dagger Draw-Upper Pennsylvanian Pool, and the Yates Ocotillo "ACI" Federal Well No. 1 is dedicated thereto. The S/2 of said Section 10 is within the boundaries of the South Dagger Draw-Upper Pennsylvanian Associated Pool, while the NW/4 of Section 10 is not within either pool.

(7) At the hearing before the Commission, Santa Fe presented evidence that Santa Fe and Yates have agreed on further development of Section 10, in the following manner:

- (a) An operating agreement, with Yates as operator, will be executed covering the W/2 and SE//4 of Section 10.
- (b) The parties will drill two wells in the W/2 (the SE/4 SW/4 and SW/4 NW/4) of Section 10 to test the Cisco/Canyon formation.
- (c) Santa Fe will dismiss its application insofar as it seeks compulsory pooling and shutting in the Judith "AIJ" Federal Well No. 1.

- (d) Both parties will request the Commission to approve a non-standard 160-acre spacing and proration unit, consisting of the SE/4 of Section 10, with the existing Ocotillo "ACI" Federal Well No. 2 dedicated thereto.

(8) The geological evidence submitted in this case shows that all of Section 10 is productive in the Upper Pennsylvanian (Cisco/Canyon) formation.

(9) The Ocotillo "ACI" Federal Well No. 2 is a gas well within the South Dagger Draw-Upper Pennsylvanian Associated Pool capable of producing approximately 3 MMCF of gas per day. The only operators and lessees offsetting said well are Santa Fe and Yates.

(10) The agreement among Santa Fe and Yates is in the interests of conservation and the prevention of waste, and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Santa Fe Energy Operating Partners, L.P. in Case No. 10871, insofar as it seeks an order pooling all mineral interests from the surface to the base of the South Dagger Draw-Upper Pennsylvanian Associated Pool underlying the W/2 of Section 10, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico, and for an order shutting in the Yates Petroleum Corporation Judith "AIJ" Federal Well No. 1 located in Unit P of Section 9, Township 20 South, Range 24 East, NMPM, is hereby dismissed.

(2) The application of Santa Fe Energy Operating Partners, L.P. for approval of a 160-acre non-standard spacing and proration unit in the South Dagger Draw-Upper Pennsylvanian Associated Pool comprising the SE/4 of Section 10, said unit to be dedicated to the Yates Petroleum Corporation Ocotillo "ACI" Federal Well No. 2, is hereby approved.

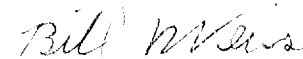
(3) Jurisdiction of this cause is hereby retained for the entry of such further orders as the Commission may deem necessary.

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

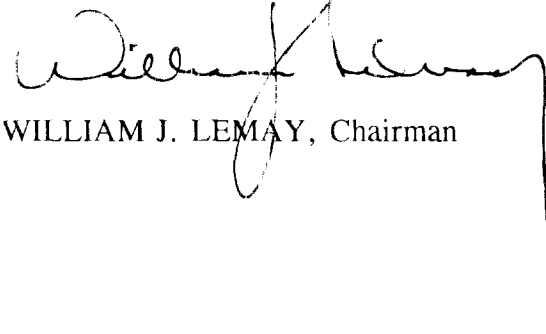
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



GARY CARLSON, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman

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