

**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. 10980
ORDER NO. R-10125**

**APPLICATION OF ODYSSEY PARTNERS
LTD. FOR A UNIT AGREEMENT AND AN
UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 26, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 3rd day of June, 1994, 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, Odyssey Partners, Ltd., seeks approval of the Marigold Unit Agreement for all oil and gas in any and all formations underlying the SW/4 SE/4 of Section 6, and the NW/4 NE/4 of Section 7, both in Township 12 South, Range 38 East, NMPM, Lea County, New Mexico, comprising some 80 acres of Federal and Fee lands.
- (3) The applicant further seeks approval for an unorthodox oil well location for its proposed Kinsolving "7" Well No. 2 to be drilled 100 feet from the North line and 2075 feet from the East line (Unit B) of Section 7, to test the Devonian formation, Gladiola-Devonian Pool.
- (4) The NW/4 NE/4 of Section 7 is to be dedicated to the above-described well forming a standard 40-acre oil spacing and proration unit for said pool.

(5) According to applicant's evidence and testimony, both the SW/4 SE/4 of Section 6 and the NW/4 NE/4 of Section 7 have previously been developed in the Gladiola-Devonian Pool, however, there are currently no wells producing within these tracts.

(6) By utilizing 3-D seismic data, the applicant has identified a Devonian structure within the proposed unit area. Applicant's geologic evidence further indicates that the two wells which previously developed this structure within the proposed unit area penetrated this structure at relatively low positions.

(7) The evidence presented indicates that a well at the proposed unorthodox oil well location should:

- a) penetrate the Devonian formation within the unit area at the highest structural position, thereby allowing the recovery of an estimated 650,000 barrels of previously unrecovered "attic" oil, thereby preventing waste, and;
- b) drain and develop both the SW/4 SE/4 of Section 6 and the NW/4 NE/4 of Section 7.

(8) The subject well is encroaching only on acreage to be included in the proposed unit.

(9) The proposed unit agreement provides that the owners of interest in the SW/4 SE/4 of Section 6 and the NW/4 NE/4 of Section 7 will share equally in the production from the subject well, thereby assuring that correlative rights will be protected.

(10) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(11) Approval of the proposed unorthodox location will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, 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.

(12) All plans of development and operation, and creations, expansions or contractions of participating areas, or expansions or contractions of the unit area should be submitted to the Director of the Division for approval.

(13) Approval of the proposed unit agreement should promote the prevention of waste and protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Marigold Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the SW/4 SE/4 of Section 6 and the NW/4 NE/4 of Section 7, both in Township 12 South, Range 38 East, NMPM, Lea County, New Mexico, comprising some 80 acres of Federal and Fee lands.

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; in the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All plans of development and operation, all unit participating areas and expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) This order shall become effective upon the approval of said unit agreement by the Director of the appropriate agency of the United States Department of the Interior; this order shall terminate *ipso facto* upon the termination of said unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

(6) The applicant is further authorized to drill its Kinsolving "7" Well No. 2 at an unorthodox oil well location 100 feet from the North line and 2075 feet from the East line (Unit B) of Section 7, to test the Devonian formation, Gladiola-Devonian Pool.

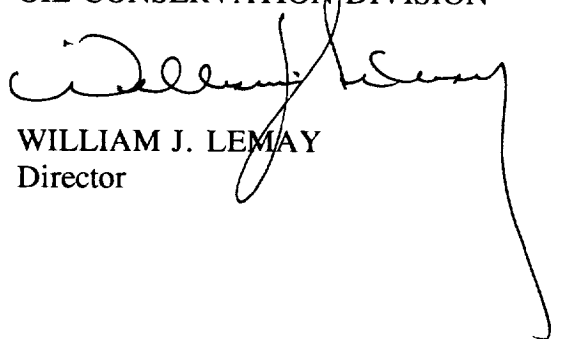
(7) The NW/4 NE/4 of Section 7 shall be dedicated to the subject well forming a standard 40-acre oil spacing and proration unit for said pool.

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

CASE NO. 10980
Order No. R-10125
Page -4-

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the typed name and title.

WILLIAM J. LEMAY
Director

S E A L