

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. 9175
Order No. R-8476

APPLICATION OF SANTA FE ENERGY OPERATING
PARTNERS, L.P. FOR SPECIAL POOL RULES 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 July 15, 1987, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of July, 1987, 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) By Division Order No. R-8409, dated March 7, 1987 and made effective April 1, 1987, the Division created and defined the North Hume-Wolfcamp Pool for the production of oil from the Wolfcamp formation, with horizontal limits consisting of Lots 1,2,7, and 8 of Section 5, Township 16 South, Range 34 East, NMPM, Lea County, New Mexico.

(3) The applicant, Santa Fe Energy Operating Partners, L.P., seeks the promulgation of special rules and regulations for said pool, including a provision for 80-acre spacing and proration units and designated well locations.

(4) The applicant is the owner and operator of the discovery well for said pool, the N.H. "5" Federal Well No. 1 located 2466 feet from the North line and 1980 feet from the East line (Unit G) of said Section 5. Said discovery well was

completed in the Wolfcamp formation on January 8, 1987. The top of the perforations is at 10,176 feet.

(5) Evidence presented by the applicant at the hearing indicates that the Wolfcamp formation encountered in the above-described well is of high permeability and is capable of draining an area in excess of 40 acres.

(6) In order to 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, prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for said pool.

(7) The temporary special rules and regulations should also provide for restrictive well locations in order to assure continued orderly development of the pool and protect correlative rights.

(8) At the request of the applicant temporary special rules and regulations for the proposed pool should be established for a two-year period in order to allow the operators in the subject pool to gather sufficient reservoir information to show that an 80-acre unit in the area can be efficiently and economically drained and developed by one well.

(9) This case should be reopened at an examiner hearing in July, 1989, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the North Hume-Wolfcamp Pool should not be recinded.

(10) Said N.H. "5" Federal Well No. 1 was originally drilled and located at a standard location within a 40-acre oil spacing and proration unit; however, under the proposed Special Pool Rules for the North Hume-Wolfcamp Pool, the location is unorthodox and an exception should therefore be approved.

(11) Lots 7 and 8 of said Section 5 are to be dedicated to the well forming an 80-acre spacing unit.

IT IS THEREFORE ORDERED THAT:

(1) Temporary Special Rules and Regulations for the North-Hume Wolfcamp Pool, Lea County, New Mexico, as previously defined and described, are hereby promulgated as follows:

TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
NORTH HUME-WOLFCAMP POOL

RULE 1. Each well completed or recompleted in the North Hume-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof, and not nearer to or within the limits of another designated Wolfcamp oil pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in that unit.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Division", may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received an application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 400 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED THAT:

(2) The Santa Fe Energy Operating Partners, L.P.N.H. "5" Federal Well No. 1 located at an unorthodox oil well location 2466 feet from the North line and 1980 feet from the East line (Unit G) of Section 5, Township 16 South, Range 34 East, NMPM, Lea County, New Mexico, Lots 7 and 8 of said Section 5 to be dedicated to said well forming a standard 80-acre oil spacing and proration unit, is hereby approved.

(3) The locations of all wells presently drilling to or completed in the North Hume-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well on or before October 15, 1987.

(4) Pursuant to Paragraph A. of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the North Hume-Wolfcamp Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the North Hume-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

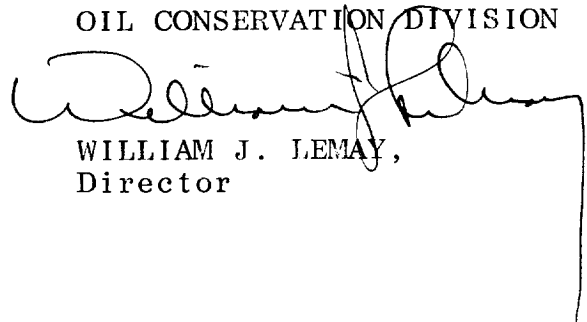
(5) Unless called earlier upon the motion of the Division, this case shall be reopened at an examiner hearing in July, 1989, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the North Hume-Wolfcamp Pool should not be developed on 40-acre spacing units.

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(6) 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

A handwritten signature in cursive script, appearing to read 'William J. Lemay', is written over the printed name. A long vertical line extends from the bottom of the signature down towards the bottom of the page.

WILLIAM J. LEMAY,
Director

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