

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. 9900
Order No. R-9152

APPLICATION OF SANTA FE ENERGY OPERATING
PARTNERS, L. P. FOR AN UNORTHODOX GAS
WELL LOCATION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 4, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 17th day of April, 1990, 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, Santa Fe Energy Operating Partners L. P., seeks approval of an unorthodox gas well location for its proposed Ocotillo "ACI" Federal Well No. 1 to be drilled 660 feet from the North and East lines (Unit A) of Section 10, Township 20 South, Range 24 East, NMPM, Undesignated Cemetery-Morrow Gas Pool, Eddy County, New Mexico.

(3) The applicant further proposes to dedicate the E/2 of said Section 10 to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(4) The applicant presented geologic and engineering evidence and testimony which indicates that wells within the Cemetery-Morrow Gas Pool in this area which encounter less than approximately 11 feet of sand with porosity greater than 7% are generally uneconomic wells.

CASE NO. 9900
Order No. R-9152
Page -2-

(5) The geologic evidence further indicates that a well at a standard location in the NE/4 of said Section 10 should encounter less than 10 feet of sand with porosity greater than 7%, while a well at the proposed location should encounter 15-20 feet of sand with porosity greater than 7%.

(6) A well at the proposed unorthodox location should increase the likelihood of obtaining commercial gas production.

(7) The applicant presented, as evidence, a waiver of objection to the proposed unorthodox gas well location from Yates Petroleum Corporation, the only affected offset operator.

(8) No other offset operator and/or interest owner appeared and objected to the proposed unorthodox gas well location.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject 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.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Santa Fe Energy Operating Partners L. P., is hereby authorized to drill its Ocotillo "ACI" Federal Well No. 1 at an unorthodox gas well location 660 feet from the North and East lines (Unit A) of Section 10, Township 20 South, Range 24 East, NMPM, Undesignated Cemetery-Morrow Gas Pool, Eddy County, New Mexico.

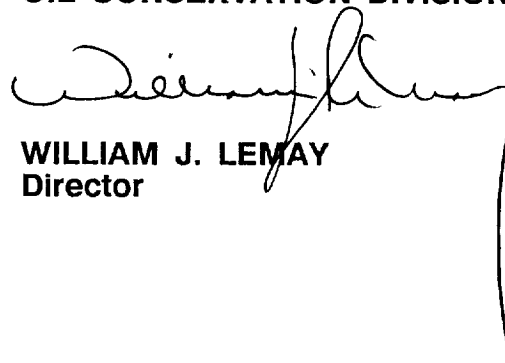
(2) The E/2 of said Section 10 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

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

CASE NO. 9900
Order No. R-9152
Page -3-

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 printed name and title. The signature is fluid and cursive, with a long vertical line extending downwards from the end of the signature.

WILLIAM J. LEMAY
Director

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