

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. 10247
Order No. R-9465

APPLICATION OF MERIDIAN OIL INC.
FOR AN UNORTHODOX OIL 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 February 21, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of March, 1991, 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, Meridian Oil Inc., seeks approval to drill its Benson "3" Federal Well No. 7 at an unorthodox oil well location 1140 feet from the South line and 330 feet from the East line (Unit P) of Section 3, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico.

(3) The applicant proposes to dedicate the SE/4 SE/4 of said Section 3 to the subject well forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools to the base of the Grayburg formation spaced on 40-acre oil spacing and proration units, which presently includes but is not necessarily limited to the Undesignated Shugart-Yates-Seven Rivers-Queen-Grayburg Pool and Undesignated North Benson-Queen-Grayburg Pool.

(4) According to the applicant's evidence and testimony, the subject well is located within the "Potash Area" as defined by Division Order No. R-111-P.

(5) The subject well was originally staked at a standard location 330 feet from the South and East lines (Unit P) of said Section 3, but said location was unacceptable to Amax Potash Corporation.

(6) The applicant subsequently re-staked the location at 990 feet from the South line and 330 feet from the East line (Unit P) of said Section 3; however, according to applicant's testimony, this location was unacceptable to the Bureau of Land Management due to topographic restrictions.

(7) The well location currently proposed has been agreed to by both Amax Potash Corporation and the Bureau of Land Management.

(8) The evidence presented indicates that the interest in the E/2 of said Section 3 is common throughout, and therefore approval of the proposed unorthodox location should not have an adverse affect on any interest owner.

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

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool(s), 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, Meridian Oil Inc., is hereby authorized to drill its Benson "3" Federal Well No. 7 at an unorthodox oil well location 1140 feet from the South line and 330 feet from the East line (Unit P) of Section 3, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico.

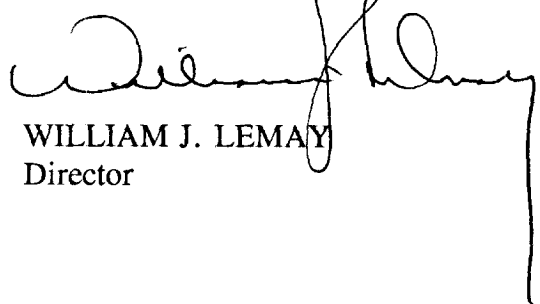
(2) The SE/4 SE/4 of said Section 3 shall be dedicated to the subject well forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools to the base of the Grayburg formation spaced on 40-acre oil spacing and proration units, which presently includes but is not necessarily limited to the Undesignated Shugart-Yates-Seven Rivers-Queen-Grayburg Pool and Undesignated North Benson-Queen-Grayburg Pool.

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(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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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