



NEW MEXICO ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

August 20, 1999

Manzano Oil Corporation
P. O. Box 2107
Roswell, New Mexico 88202-2107
Attention: Mike Brown

Telefax No. (505) 625-2620

Administrative Order NSL-4347

Dear Mr. Brown:

Reference is made to the following: (i) your initial application dated July 22, 1999; (ii) your telephone conversation with Mr. Michael E. Stogner, Chief Hearing Officer/Engineer with the New Mexico Oil Conservation Division ("Division") in Santa Fe on Wednesday, August 4, 1999; (iii) your response by letter dated August 4, 1999: all concerning Manzano Oil Corporation's ("Manzano") request for an unorthodox gas well location in both the Strawn and deeper Morrow formations for the proposed Esperanza Well No. 2 to be drilled 1150 feet from the South line and 1200 feet from the West line (Unit M) of Section 3, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico.

The current rules governing both the Strawn and Morrow intervals for this well location are as follows:

(a) **Strawn:** being within one mile of both the La Huerta-Strawn Gas Pool and the Carlsbad-Strawn Gas Pool this interval is subject to Division Rule 104.C(2)(b), which requires 320-acre spacing and proration units with wells to be located no closer than 660 feet to the nearest side (long) boundary of the dedicated tract nor closer than 1650 feet from the nearest end (short) boundary nor closer than 330 feet from any quarter-quarter section or subdivision inner boundary, and Rule 104.D(3), which limits the number of wells per spacing unit to one;

(b) **Morrow:** being within one mile of the South Carlsbad-Morrow Gas Pool this interval is subject to the following:

(i) Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division");

(ii) the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the South Carlsbad-Morrow Gas Pool*", as promulgated by Division Order No. R-8170, as amended, which includes provisions for 320-acre spacing and requirements for well locations to be no closer than 660 feet to the side boundary nor 1980 feet from the end boundary of the proration unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary;

(iii) Division Order No. R-10328, issued by the New Mexico

Oil Conservation Commission in Case No. 11211 on March 27, 1995, which order suspended gas prorationing in the South Carlsbad-Morrow Gas Pool; and

(vi) Division General Rule 104.D(3), which limits the number of wells in a single spacing unit in non-prorated pools to one.

Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 3, being a standard 319.57-acre stand-up gas spacing and proration unit for: (i) either the Undesignated La Huerta-Strawn Gas Pool or the Undesignated Carlsbad-Strawn Gas Pool; and (ii) the Undesignated South Carlsbad-Morrow Gas Pool: is to be dedicated to this well.

The subject request has been duly filed under the provisions of Division Rule 104.F and the applicable special pool/gas prorationing rules and regulations.

The geologic interpretation submitted indicates that a well drilled to the south-southeast of the nearest location considered standard in the SW/4 equivalent of Section 3 will be at a more favorable geologic position within the both the Strawn and Morrow formations underlying the subject 319.57-acre tract. Topographic conditions further restrict placement of a drilling pad in the northern portion of this unit.

By the authority granted me under the provisions Division Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad