



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

August 28, 1996

Meridian Oil, Inc.
c/o Burlington Resources
P. O. Box 51810
Midland, Texas 79710-1810
Attention: Donna J. Williams

Administrative Order DD-151(H)
High Angle/Horizontal

Dear Ms. Williams:

Reference is made to Meridian Oil, Inc. 's/Burlington Resources' ("Meridian") application dated August 6, 1996 for authorization to recomplete its existing Federal "21" Well No. 3 (API No. 30-025-30690) by side tracking off of the vertical wellbore and drill horizontally in order to further develop the South Corbin-Wolfcamp Pool underlying the S/2 NW/4 of Section 21, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Rule 111.D and E of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11,274 on June 13, 1995;
- (2) The Federal "21" Well No. 3 was drilled in 1990 to a total depth of 11,538 feet and completed in the South Corbin-Wolfcamp Pool at a standard oil well location 2007 feet from the North line and 2124 feet from the West line (Unit F) of said Section 21 and was assigned the above-described 80-acre gas spacing and proration unit;
- (3) By Division Order No. R-8181-B, as amended, the New Mexico Oil Conservation Commission promulgated the "*Special Rules and Regulations For The South Corbin-Wolfcamp Pool*", which includes provisions for 80-acre oil spacing and proration units and well location requirements whereby wells are to be located within 150 feet of the center of a governmental quarter-quarter section or lot;

- (4) A horizontal/high angle hole drilled off of the existing vertical wellbore in the Federal "21" Well No. 3 as proposed is experimental in nature in that it is the first horizontal wellbore to be drilled within the South Corbin-Wolfcamp Pool and should provide Meridian the opportunity to maximize drainage within the subject interval and recover additional reserves that would otherwise not be recovered;
- (5) The applicant/operator proposes to kick-off from vertical at a depth of approximately 10,875 feet by milling a window in the existing production casing, drill in a westerly direction, build to an angle of approximately 90 degrees and continue drilling horizontally through the Wolfcamp formation a distance of approximately 1500 feet, with total horizontal displacement of said wellbore to be approximately 1625 feet;
- (6) The "project area" proposed by Meridian would consist of a standard 80-acre oil spacing and proration unit comprising the S/2 NW/4 of said Section 21;
- (7) The applicable drilling window or "producing area" for said wellbore should include that area within the S/2 NW/4 of said Section 21 that is no closer than 510 feet from the outer boundary of said 80-acre oil spacing and proration unit/project area; and,
- (8) It appears the applicant has satisfied all of the appropriate requirements prescribed in said Rule 111.D and E, the subject application should be approved and the well should be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Meridian Oil, Inc./Burlington Resources ("Meridian"), is hereby authorized to recomplete its existing Federal "21" Well No. 3 (API No. 30-025-30690), located at a standard surface oil well location 2007 feet from the North line and 2124 feet from the West line (Unit F) of Section 21, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, by milling a window in the existing production casing at a depth of approximately 10,875 feet, kick-off from vertical in a westerly direction, build to an angle of approximately 90 degrees and continue drilling horizontally through the Wolfcamp formation a distance of approximately 1500 feet, with total horizontal displacement of said wellbore to be approximately 1625 feet.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations in said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT during or upon completion of said directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The applicant shall notify the supervisor of the Hobbs District office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Hobbs offices of the Division upon completion.

(3) The "project area" for said horizontal well shall consist of a standard 80-acre oil spacing and proration unit for the South Corbin-Wolfcamp Pool comprising the S/2 NW/4 of said Section 21.

(4) The "producing area" for said horizontal wellbore shall include that area within the S/2 NW/4 of said Section 21 that is no closer than 510 feet from the outer boundary of said 80-acre oil spacing and proration unit/project area.

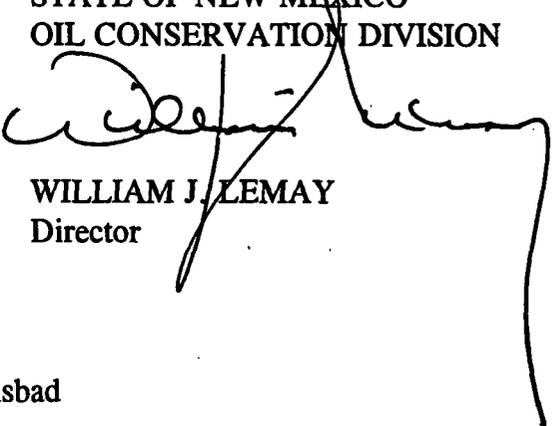
(5) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F.

(6) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth (TVD) in addition to measured depths (MVD).

(7) 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


WILLIAM J. LEMAY
Director

SEAL

cc: Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad

DD-MERID

August 28, 1996

Rec. 8-8-96
Susp. NA
Released 8-28-96

Meridian Oil, Inc.
c/o Burlington Resources
P. O. Box 51810
Midland, Texas 79710-1810

Attention: Donna J. Williams

151
Administrative Order DD-****(H)
High Angle/Horizontal

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Federal "21" Well No. 3 as proposed is experimental in nature in that it is the first horizontal wellbore to be drilled within the South Corbin-Wolfcamp Pool and should provide Meridian the opportunity to maximize drainage within the subject interval and recover additional reserves that would otherwise not be recovered;

- (5) The applicant/operator proposes to kick-off from vertical at a depth of approximately 10,875 feet by milling a window in the existing production casing, drill in a westerly direction, build to an angle of approximately 90 degrees and continue drilling horizontally through the Wolfcamp formation a distance of approximately 1500 feet, with total horizontal displacement of said wellbore to be approximately 1625 feet;
- (6) The "project area" proposed by Meridian would consist of a standard 80-acre oil spacing and proration unit comprising the S/2 NW/4 of said Section 21;
- (7) The applicable drilling window or "producing area" for said wellbore should include that area within the S/2 NW/4 of said Section 21 that is no closer than 510 feet from the outer boundary of said 80-acre oil spacing and proration unit/project area; and,
- (8) It appears the applicant has satisfied all of the appropriate requirements prescribed in said Rule 111.D and E, the subject application should be approved and the well should be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Meridian Oil, Inc./Burlington Resources ("Meridian"), is hereby authorized to recomplete its existing Federal "21" Well No. 3 (API No. 30-025-30690), located at a standard surface oil well location 2007 feet from the North line and 2124 feet from the West line (Unit F) of Section 21, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, by milling a window in the existing production casing at a depth of approximately 10,875 feet, kick-off from vertical in a westerly direction, build to an angle of approximately 90 degrees and continue drilling horizontally through the Wolfcamp formation a distance of approximately 1500 feet, with total horizontal displacement of said wellbore to be approximately 1625 feet.

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PROVIDED FURTHER THAT during or upon completion of said directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth

and course, may be determined.

(2) The applicant shall notify the supervisor of the Hobbs District office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Hobbs offices of the Division upon completion.

(3) The "project area" for said horizontal well shall consist of a standard 80-acre oil spacing and proration unit for the South Corbin-Wolfcamp Pool comprising the S/2 NW/4 of said Section 21.

(4) The "producing area" for said horizontal wellbore shall include that area within the S/2 NW/4 of said Section 21 that is no closer than 510 feet from the outer boundary of said 80-acre oil spacing and proration unit/project area.

(5) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F.

(6) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth (TVD) in addition to measured depths (MVD).

(7) 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

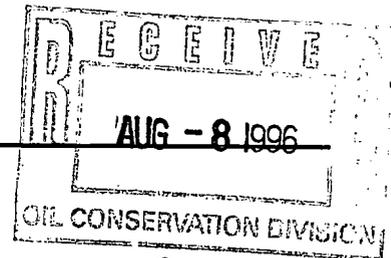
WILLIAM J. LEMAY
Director

S E A L

cc: Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad

**BURLINGTON
RESOURCES**

MID-CONTINENT DIVISION



August 6, 1996

See DO-MERID

Mr. Mike Stogner
Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, New Mexico 87505

RE: Request for Administrative Approval
Proposed Sidetrack Operations
Federal '21' Well No. 3
Section 21, T18S, R33E
Lea County, New Mexico

Mr. Stogner:

Meridian Oil Inc. respectfully requests administrative approval for the enclosed proposed sidetrack operations on the above referenced well. As indicated on the enclosed map, Meridian Oil Inc. is the only offset operator to this operation.

Should you have any questions, or need additional information, please do not hesitate to contact me at 915-688-6943.

Sincerely,

Donna J. Williams
Regulatory Compliance

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals

5. Lease Designation and Serial No.

NM 96780

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Federal '21' # 3

9. API Well No.

30-025-30690

10. Field and Pool, or exploratory Area

South Corbin Wolfcamp

11. County or Parish, State

Lea NM

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Well Gas Well Other

2. Name of Operator

Meridian Oil Inc.

3. Address and Telephone No.

P.O. Box 51810, Midland, TX 79710-1810 915-688-6943

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

2007' FNL & 2124' FWL
Sec. 21, T18S, R33E

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- Notice of Intent
 Subsequent Report
 Final Abandonment Notice

TYPE OF ACTION

- Abandonment
 Recompletion
 Plugging Back
 Casing Repair
 Altering Casing
 Other Sidetrack
 Change of Plans
 New Construction
 Non-Routine Fracturing
 Water Shut-Off
 Conversion to Injection
 Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Meridian Oil Inc. respectfully requests approval to sidetrack the above referenced well. Please find attached, a proposed drilling plan. A surface use plan is not required as no further disturbance is necessary. Will use existing well pad.

14. I hereby certify that the foregoing is true and correct

Signed [Signature] Title Regulatory Compliance Date 8/5/96

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

OPERATORS NAME:	Meridian Oil Inc.
LEASE NAME AND WELL NO.:	Federal '21' Well No. 3 (Sidetrack)
LOCATION:	2007' FNL & 2124' FWL, Sec. 21, T18S, R33E
FIELD NAME:	South Corbin Wolfcamp
COUNTY:	Lea County, NM
LEASE NUMBER:	NM 0997

The following information is to supplement BLM form 3160-3 Application for permit to drill in accordance with Onshore Oil and Gas Order No. 1:

9 - POINT DRILLING PLAN

1. Name and estimated tops of important geologic formation/marker horizons.

<u>FORMATION</u>	<u>DEPTH</u>
Yates	3040'
Queen	4190'
San Andres	4800'
Delaware	5090'
Bone Spring	7194'
Lower Leonard	10,398'
Wolfcamp	10,802'

2. Estimated depths at which the top and bottom of formations potentially containing usable water, oil, gas, or prospectively valuable deposits of other minerals are expected to be encountered and the operator's plans for protecting such resources.

Wolfcamp	10,875' (KOP)
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3. The operator's minimum specifications for Blowout Preventer (BOP) and related equipment to be used and schematic diagrams thereof showing sizes, pressure ratings, and the testing procedures and testing frequency. BOP and BOP - related equipment (BOPE) schematics shall include schematics of choke manifold equipment. Accumulator systems and remote controls shall be utilized.

13 5/8" 1.5M psi WP BOP w/rotating head to be installed on the 13 3/8" csg. Test to 750 psi before drilling the 13 3/8" csg. shoe.

11" 3M BOP stack to be installed on the 8 5/8" csg. The BOP stack will consist of one blind ram BOP, one pipe ram BOP, and a rotating head. Tested to 1500 psi before drilling the 8 5/8" casing shoe.

4. The proposed casing program including size, grade, weights, type of thread and coupling, and the setting depth of each string and its condition (new or acceptably reconditioned). For exploratory wells, or for wells as otherwise specified by the authorized officer, the operator shall include the minimum design factors for tensions, burst, and collapse that are incorporated into the casing design. In cases where tapered casing strings are utilized, the operator shall also include and/or setting depths of each portion.

17 1/2" hole, 13 3/8" H-40 48# csg, set @ 351'

12 1/4" hole, 8 5/8" K-55 24# csg, set @ 2903'

7 7/8" hole, 5 1/2" 17#/15.5# csg, set @ 11,538'

$$\begin{array}{r}
 531 \\
 12862 \\
 21175 \\
 \hline
 1487
 \end{array}$$

New Hole:

Curve: KOP = 10,875' TVD/MD
 Build radius - 300', BUR = 19.1 deg/100'
 EOC = 11,175' TVD/11,346' MD
 Inclination @ EOC = 90° Azimuth @ EOC = 276.25°

Lateral: Inclination = 90° , Azimuth = 276.25°
 EOL = 11,175' TVD/ 12,662' MD

The entire curve and lateral will be in the Wolfcamp formation

5. The amount and type(s) of cement, including anticipated additives to be used in setting each casing string, shall be described. If stage cementing techniques are to be employed, the setting depth of the stage collars and amount and type of cement, including additives, and preflush amounts to be used in each stage, shall be given. The expected linear fill-up of each cemented string, or each stage when utilizing stage-cementing techniques, shall also be given.

- a. 13 3/8" csg: Cmt w/370 sxs 'C' + 2% CaCl₂. Circulated
- b. 8 5/8" csg: Cmt w/1050 sxs Pacesetter Lite Premium + 6% gel + 15% salt + 1 pps Hi-Seal, tail w/200 sxs 'C' + 2% CaCl₂. Circulated.
- c. 5 1/2" csg: Cmted w/1st stage: 510 sxs Super 'H'. DV tool @ 8022'. Circulated. 2nd Stage: 1000 sxs Super 'H'. Estimated TOC @ 2500'.

6. The anticipated characteristics, additives, use, and testing of drilling mud to be employed, along with the types and quantities of mud products to be maintained, shall be given. When air or gas drilling is proposed, the operator shall submit the following specific information:

Mud Program:

10,875' (window): Will be using fresh water mud to drill open hole section.

7. The anticipated testing, logging, and coring procedures to be used, including drill stem testing procedures, equipment, and safety measures.

- a. DST Program: None
- b. Core: None
- c. Mud Logging: From KOP (10,875') to EOL
- d. Logs to be run: None

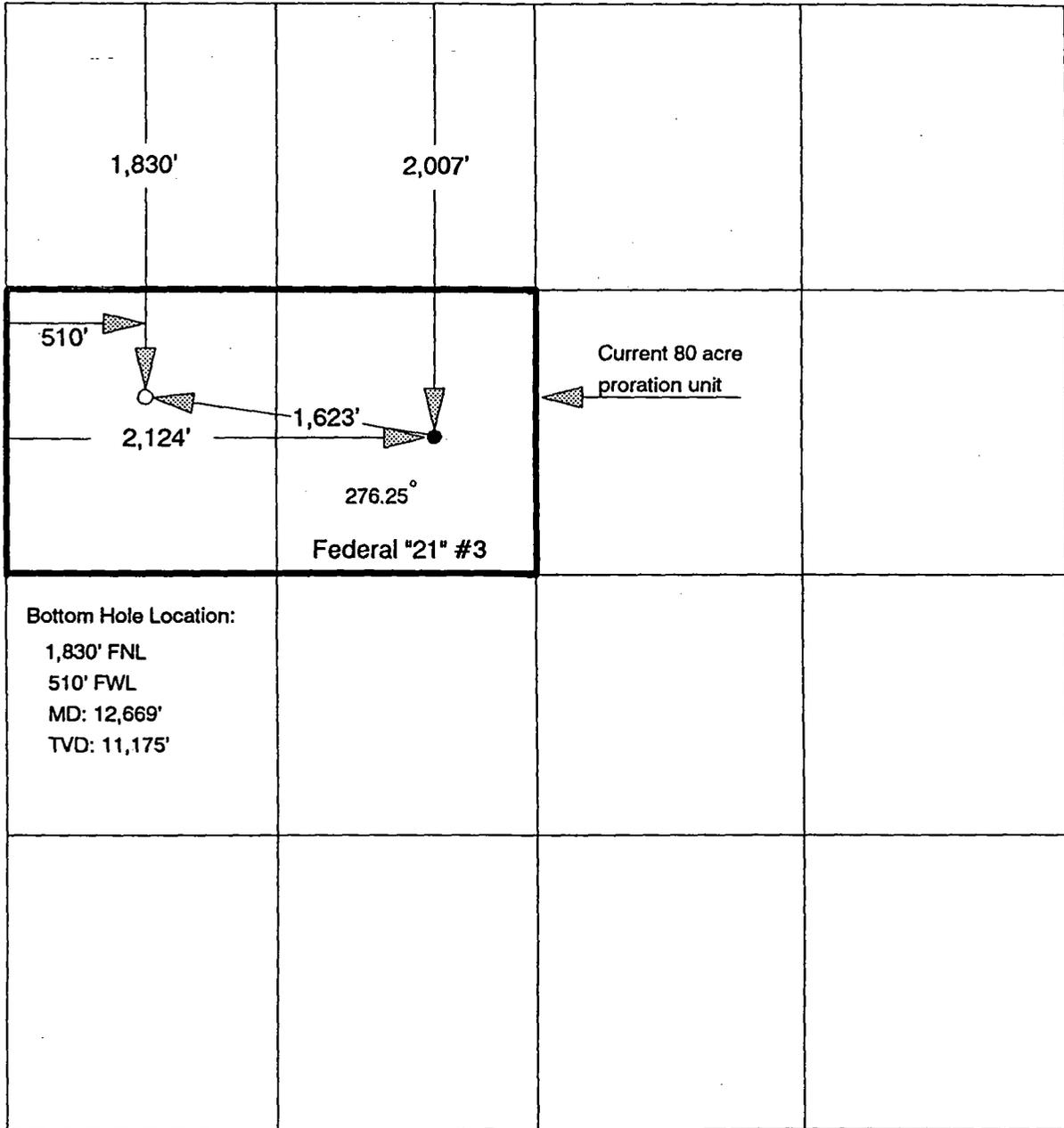
The expected bottom-hole pressure and any anticipated abnormal pressures, temperatures or potential hazards that are expected to be encountered, such as lost circulation zones and hydrogen sulfide. The operator's plans for mitigating such hazards shall be discussed. Should the potential to encounter hydrogen sulfide exist, the mitigation procedures shall comply with the provisions of Onshore Oil and Gas Order No. 6.

No abnormal pressures are anticipated. Bottom hole pressures at TD expected to be 4400 psi. Bottom hole temperature 167° F. There is no anticipated Hydrogen Sulfide in this known drilling area

9. Any other facets of the proposed operation which the operator wishes for BLM to consider in reviewing the application.

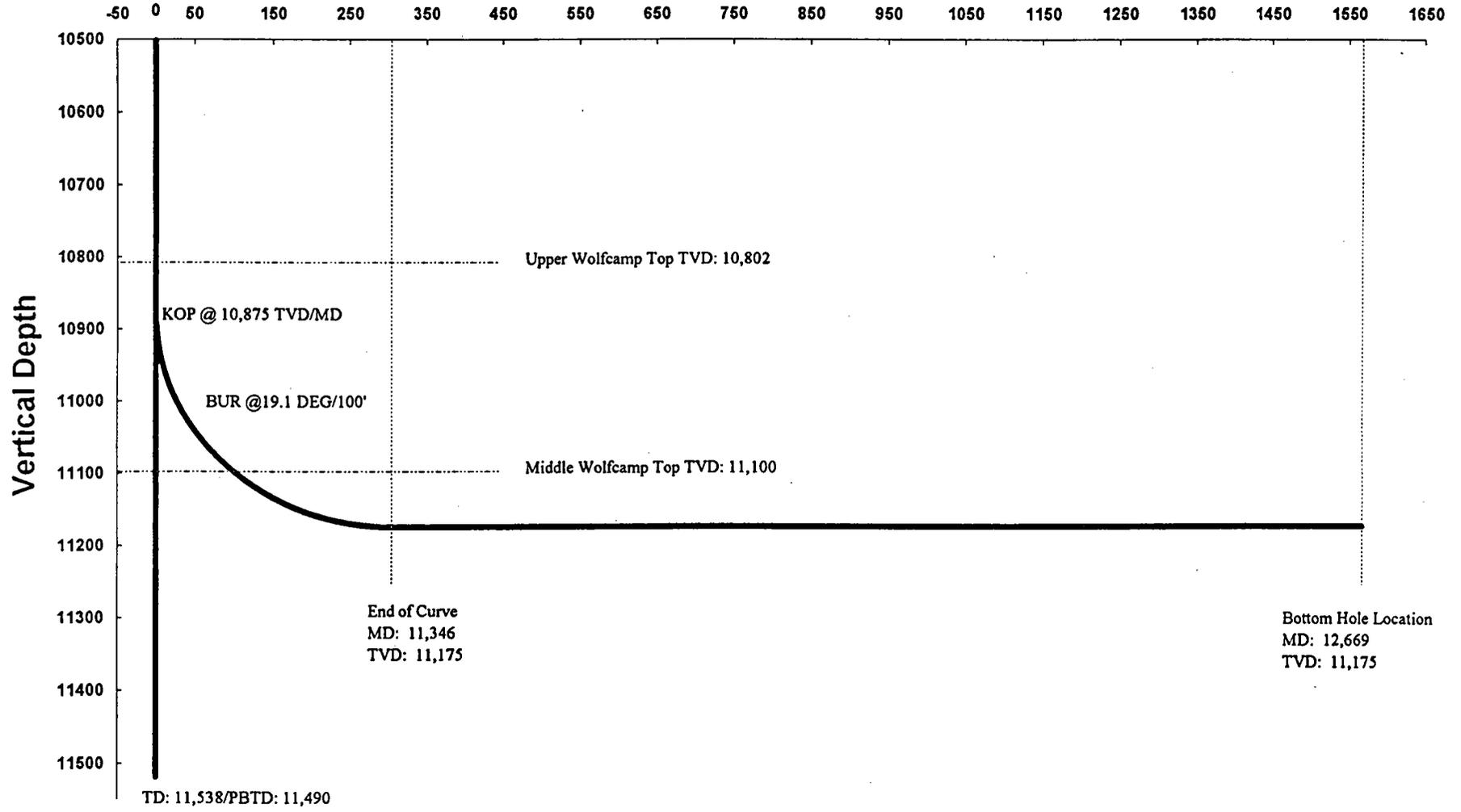
Anticipated drilling time expected to be 15 days from window to TD.

T18S - R33E SECTION 21



Plan View of Horizontal Wellbore
 Illustrating Azimuth & Lateral Extent

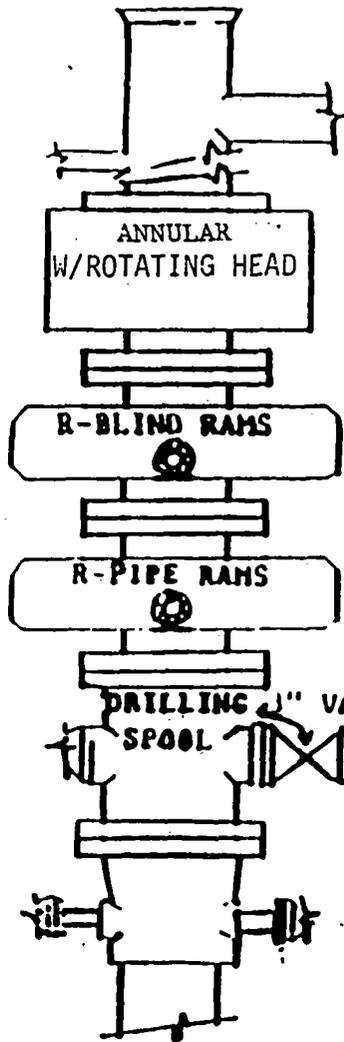
Vertical Section



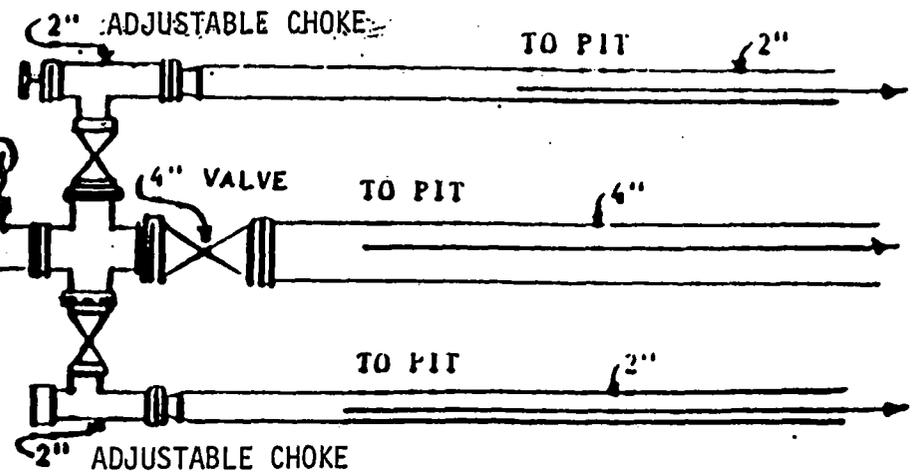
Vertical Section Direction: 276.25 degrees
 (All measurements in feet)

Prepared by: C. A. Babin
 July 1, 1996
 rev.1

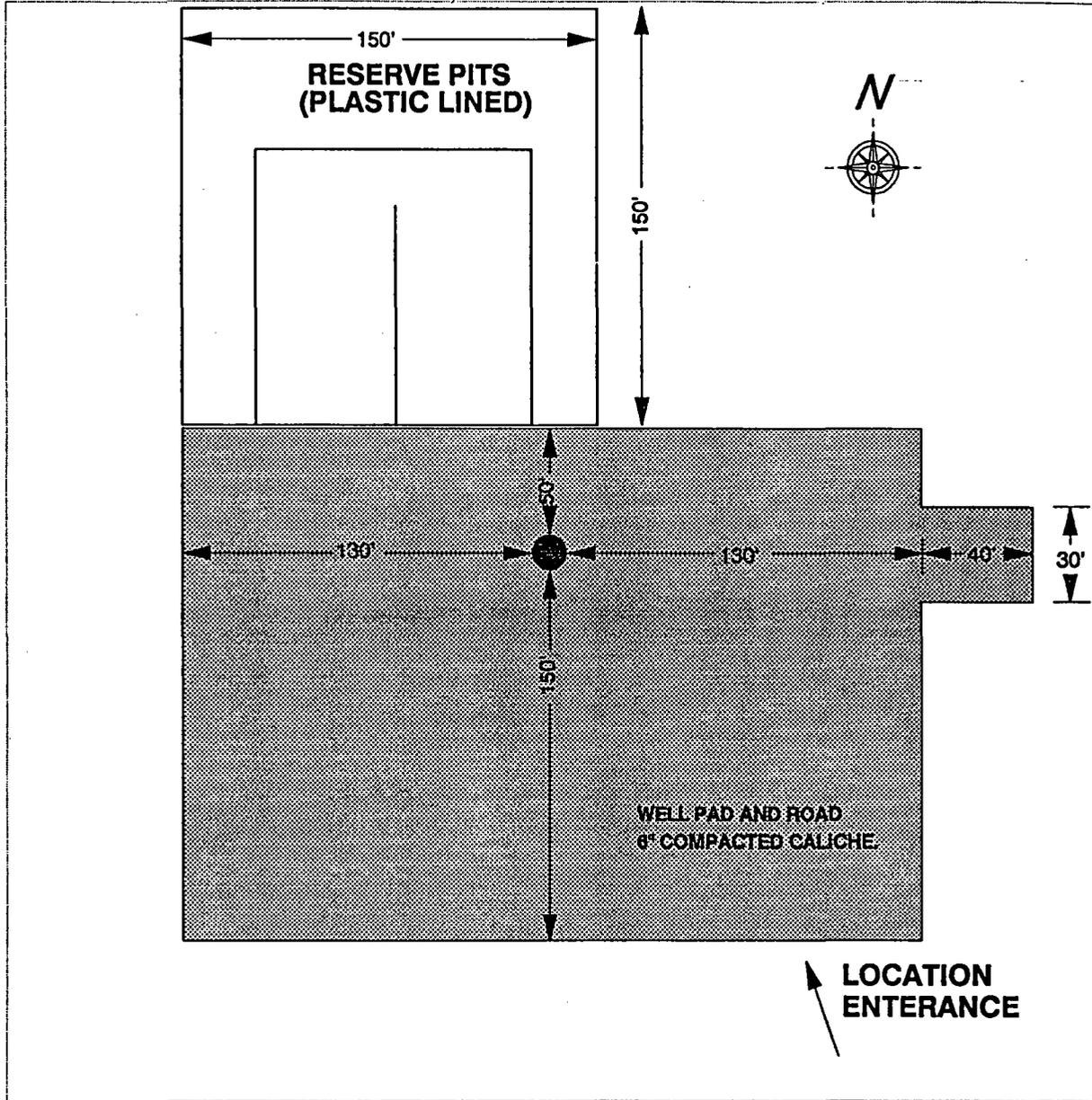
DOUBLE RAM



BLOW OUT PREVENTION EQUIPMENT
10" 900s ALL FLANGED CONNECTIONS
3000# WORKING PRESSURE



MERIDIAN OIL
MIDLAND REGION
DRILL WELL LOCATION SPECIFICATIONS



400' x 400' WELL SITE

OPERATORS CERTIFICATION

I hereby certify that I, **Tim Friesenhahn, Drilling Engineer**, under my direct supervision, have inspected the proposed drill site and access route that I am familiar with the conditions that currently exist; that the statements made in the APD package are, to the best of my knowledge, true and correct, and that the work associated with operations proposed herein will be performed by **not yet determined** contractors and subcontractors in conformity with this APD package and the terms and conditions under which it is approved. I also certify responsibility for the operations conducted on that portion of the leased lands associated with this application, with bond coverage being provided under BLM **statewide** bond. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

DATE:

8/5/96

NAME AND TITLE:

Tim Friesenhahn, Drilling Engineer

SIGNATURE:

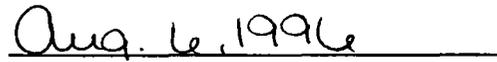
Tim Friesenhahn

MERIDIAN OIL INC.
FEDERAL '21' WELL NO. 3
PROPOSED SIDETRACK
SEC. 21, T18S, R33E
LEA COUNTY, NEW MEXICO
NM 96780

I hereby certify that Meridian Oil Inc. is the only offset operator affected by the proposed sidetrack operations for the Federal '21' well no. 3.



Donna J. Williams



Date

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8802
Order No. R-8181

APPLICATION OF SOUTHLAND
ROYALTY COMPANY FOR SPECIAL
POOL RULES, LEA COUNTY, NEW
MEXICO.

See Also Orders Nos.

R-8181-A

R-8181-B

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 9 and 22, 1986, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 7th day of March, 1986, 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, Southland Royalty Company, seeks the promulgation of special pool rules for the South Corbin-Wolfcamp Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units.
- (3) The applicant is the operator of approximately sixty-two percent of the active wells in said pool.
- (4) The South Corbin-Wolfcamp Pool was discovered in August, 1967 by the Aztec Oil & Gas Company Federal "MA" Well No. 2 located in Unit I of Section 21, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico.
- (5) Although said pool has been voluntarily spaced on 80 acres or more, it has remained since its creation governed by general statewide 40-acre spacing and proration units.

(6) The applicant recently drilled and completed the West Corbin Unit Well No. 5 located 2080 feet from the North line and 560 feet from the West line of Section 17, Township 18 South, Range 33 East, NMPM, and the Huber 17 Federal Well No. 1 located 660 feet from the South line and 660 feet from the West line of said Section 17.

(7) The West Corbin Unit Well No. 5 is located 2540 feet North of the Huber 17 Federal Well No. 1.

(8) Testimony by the applicant at the time of the hearing indicated that there was a difference of approximately 400 psi between the original bottomhole pressures in the West Corbin Unit Well No. 5 and the Huber 17 Federal Well No. 1, which could possibly indicate drainage by the West Corbin Unit Well No. 5 in excess of 40 acres.

(9) The applicant is also the operator of the West Corbin Unit Well No. 1 drilled in 1982 and located 1980 feet from the North line and 660 feet from the East line of Section 18, Township 18 South, Range 33 East, NMPM.

(10) The West Corbin Unit Well No. 1 is located 1220 feet West of the West Corbin Unit Well No. 5 and is also 1320 feet closer to the West Corbin Unit Well No. 5 as is the Huber 17 Federal Well No. 1.

(11) The West Corbin Unit Well No. 5 was drilled as a 40-acre offset to the West Corbin Unit Well No. 1.

(12) The possible drainage of 80 acres by the West Corbin Unit Well No. 1 should have had an affect on the bottomhole pressure or the producing capability, or both, on the West Corbin Unit Well No. 5.

(13) Evidence presented at the hearing indicates that the West Corbin Unit Well No. 5 had a considerably higher initial potential than did the No. 1 well, which may indicate that drainage by the No. 1 well may not have occurred.

(14) Geologic and engineering evidence presented at the hearing was insufficient to indicate that one well in the South Corbin-Wolfcamp Pool is capable of draining 80 acres.

(15) The application of Southland Royalty Company for special pool rules for the South Corbin-Wolfcamp Pool, including a provision for 80-acre spacing, should be denied.

Case No. 8802
Order No. R-8181

IT IS THEREFORE ORDERED THAT:

(1) The application of Southland Royalty Company for special pool rules for the South Corbin-Wolfcamp Pool, Lea County, New Mexico, including a provision for 30-acre well spacing and proration units, is hereby denied.

(2) The South Corbin-Wolfcamp Pool shall remain on General Statewide Rules and Regulations including 40-acre spacing.

(3) 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



R. L. STAMETS
Director

S E A L

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 8802
Order No. R-8181-A

APPLICATION OF SOUTHLAND
ROYALTY COMPANY FOR SPECIAL
POOL RULES, LEA COUNTY, NEW
MEXICO.

See Also Order No.

0191

R-8181-A

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-8181, dated March 7, 1986, does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED THAT:

(1) The first paragraph of the introductory section on page 1 of Order No. R-8181, dated March 7, 1986, be and the same is hereby amended to read in its entirety as follows:

"This cause came on for hearing at 8:15 a.m. on January 9, 1986, at Santa Fe, New Mexico, before Examiner David R. Catanach."

(2) The corrections set forth in this order be entered nunc pro tunc as of March 7, 1986.

DONE at Santa Fe, New Mexico, on this 26th day of March, 1986.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS
Director

S E A L

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8802 DE NOVO
Order No. R-8181-B

APPLICATION OF SOUTHLAND ROYALTY
COMPANY FOR SPECIAL POOL RULES,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

See Also Order No.
R-8181
R-8181-A

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. at Santa Fe, New Mexico, on April 9, 1986, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 20th day of May, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Southland Royalty Company, seeks the promulgation of special pool rules for the South Corbin-Wolfcamp Pool, Lea County, New Mexico, including a provision for 80-acre spacing units.

(3) By Order No. R-3342, effective December 1, 1967, the Commission created the South Corbin-Wolfcamp Pool as a result of the completion of the Aztec Oil and Gas Company Federal "MA" Well No. 2 located in Unit I of Section 21, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico.

(4) Although the development of said pool has resulted in wells being drilled on what constitutes an 80-acre spacing pattern, it has remained since its creation governed by general statewide 40-acre spacing units.

- (5) Geologic and engineering evidence presented at the hearing showed that wells in the South Corbin-Wolfcamp Pool may be capable of draining 80-acre spacing units.
- (6) Evidence and testimony at the hearing demonstrated that drilling wells in the South Corbin-Wolfcamp Pool on 40-acre spacing is uneconomical at the present time and may result in the drilling of unnecessary wells.
- (7) Adoption of temporary special pool rules including provisions for 80-acre spacing would encourage continued drilling of South Corbin-Wolfcamp Pool wells, thereby producing oil which might not otherwise be produced, thereby preventing waste.
- (8) In order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to 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 the South Corbin-Wolfcamp Pool as previously defined and described.
- (9) The temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.
- (10) The temporary special rules and regulations should be established for an 18-month period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.
- (11) Unless called earlier, this case should be reopened at an Oil Conservation Division examiner hearing in October, 1987, at which time the operators in the subject pool should be prepared to appear and show cause why the South Corbin-Wolfcamp Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED THAT:

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

TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH CORBIN-WOLFCAMP POOL

RULE 1. Each well completed or recompleted in the South Corbin-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 the 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 the 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 445 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:

(1) The locations of all wells presently drilling to or completed in the South Corbin-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 July 1, 1986.

(2) Pursuant to Paragraph A. of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the South Corbin-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 South Corbin-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.

(3) Unless called earlier upon the motion of the Division, this case shall be reopened at an examiner hearing in October, 1987, at which time the operators in the subject pool should be prepared to appear and show cause why the South Corbin-Wolfcamp Pool should not be developed on 40-acre spacing units.

Case No. 8802
Order No. R-8181-B

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member

Ed Kelley
ED KELLEY, Member

R. L. Stamets
R. L. STAMETS, Chairman and
Secretary

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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. 8802 (Reopened)
ORDER NO. R-8181-C

IN THE MATTER OF CASE NO. 8802 BEING
REOPENED PURSUANT TO THE PROVISIONS OF
DIVISION ORDER NO. R-8181-B, WHICH ORDER
PROMULGATED TEMPORARY SPECIAL RULES AND
REGULATIONS FOR THE SOUTH CORBIN-WOLFCAMP
POOL IN LEA COUNTY, NEW MEXICO, INCLUDING
A PROVISION FOR 80-ACRE SPACING UNITS.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 7, 1987 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of October, 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 Order No. R-8181-B, dated May 20, 1986, issued in Case No. 8802 heard De Novo before the New Mexico Oil Conservation Commission on April 9, 1986, temporary special rules and regulations were promulgated for the South Corbin-Wolfcamp Pool, Lea County, New Mexico, establishing temporary 80-acre spacing and proration units.
- (3) Pursuant to the provisions of Order No. R-8181-B, this case was reopened to allow the operators in the subject pool to appear and show cause why the South Corbin-Wolfcamp Pool should not be developed on 40-acre spacing units.
- (4) The evidence establishes that one well in the South Corbin-Wolfcamp Pool can efficiently and economically drain and develop 80 acres.

CASE NO. 8802 (Reopened)
ORDER NO. R-8181-C

(5) The Special Rules and Regulations promulgated by said Order No. R-8181-B have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil and gas in the pool.

(6) In order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Order No. R-8181-B should be continued in full force and effect until further order of the Division.

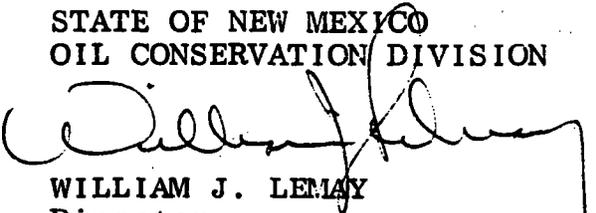
IT IS THEREFORE ORDERED THAT:

(1) The Special Rules and Regulations governing the South Corbin-Wolfcamp Pool, Lea County, New Mexico, promulgated by Order No. R-8181-B, are hereby continued in full force and effect until further order of the Division.

(2) 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


WILLIAM J. LEMAY
Director

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