



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

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

November 4, 1996

H. L. Brown, Jr.
c/o Kellahin and Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265
Attention: W. Thomas Kellahin

Administrative Order NSL-3732

Dear Mr. Kellahin:

Reference is made to your application dated September 30, 1996 on behalf of H. L. Brown, Jr. for an unorthodox gas well location for any and all formations and/or pools from the top of the Wolfcamp formation to the base of the Morrow formation developed on 320-acre spacing underlying the S/2 of Section 9, Township 15 South, Range 32 East, NMPM, Lea County, New Mexico.

The Division Director Finds That:

- (1) H. L. Brown, Jr., as operator, proposes to drill its North Feather State Unit Well No. 2 at a point that is 1340 feet from the South line and 990 feet from the East line (Unit I) of said Section 9 to a depth sufficient to test the Morrow formation;
- (2) Pursuant to the applicant's request, the two primary zones of interest for this well are the Morrow and Wolfcamp intervals, however it is the operators intent to test all intervals from the top of the Wolfcamp formation to the base of the Morrow formation for gas production;
- (3) Rules governing these intervals within said vertical extent for the proposed well location are as follows:

(a) Morrow: the North Feather-Morrow Gas Pool comprising the N/2 of Section 16, Township 15 South, Range 32 East, NMPM, Lea County, New Mexico, is currently subject to Division statewide Rule 104.C(2), 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 1980 feet from the nearest end (short) boundary nor closer than 330

feet from any quarter-quarter section or subdivision inner boundary;

(b) Cisco, Canyon, Strawn, and Atoka: these intervals are considered to be "wildcat" and if gas is encountered these zones will be subject to Division statewide Rule 104.B(1), 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 1980 feet from the nearest end (short) boundary nor closer than 330 feet from any quarter-quarter section or subdivision inner boundary;

(c) Wolfcamp formation: in Township 15 South, Range 32 East, NMPM, Lea County, New Mexico:

(i) the Tulk-Wolfcamp (Oil) Pool comprises all of Sections 2, 3, 4, and 5, the N/2 and SE/4 of Section 6, the NE/4 of Section 9, the N/2 of Section 10, and the NW/4 of Section 11, and is currently subject to Division statewide Rule 104.C(1), which requires 40-acre spacing and proration units with wells to be located no closer than 330 feet to any boundary of such 40-acre tract; and,

(ii) the North Anderson Ranch-Wolfcamp (Oil) Pool comprises the W/2 of Section 15, the SE/4 of Section 16, the E/2 of Section 21, the SW/4 of Section 27, the NE/4 and S/2 of Section 28, the E/2 E/2 of Section 32, the NE/4 and W/4 of Section 33, and the NW/4 of Section 34, and is currently subject to the "*Special Rules and Regulations for the North Anderson Ranch-Wolfcamp Pool*", as promulgated by Division Order No. R-2212, dated April 18, 1962, which requires 80-acre spacing and proration units or drilling units with wells to be located no closer than 330 feet to any quarter-quarter section line, provided the first well on an 80-acre unit be in either the NE/4 or SW/4 of a governmental quarter section, however nothing contained within said rules prohibits the drilling of a well on each quarter-quarter section or lot comprising an 80-acre unit;

- (4) The subject location is considered to be unorthodox in all intervals from the top of the Wolfcamp formation to the base of the Morrow formation;
- (5) The application further states that the S/2 of said Section 9 is to be dedicated to said well in order to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, however the application failed to indicate the orientation or amount of acreage to be dedicated to the well if Wolfcamp oil production is encountered;
- (6) The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location into the Morrow formation will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard;
- (7) The subject application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996;
- (8) The subject application, which serves to prevent waste and being in the best interest of conservation, should be approved only for the vertical extent from the base of the Wolfcamp formation to the base of the Morrow formation at this time; and,
- (9) Subsequent to the issuance of this order, should the Wolfcamp interval be tested as productive, the operator should consult with the supervisor the Division's District Supervisor in Hobbs as to the proper pool placement of said production and an amended application pursuant to Division General Rules 104.F(3) and (4) may be submitted for the Wolfcamp interval.

The Division Director Finds That:

(1) H. L. Brown, Jr. is hereby authorized to drill its proposed North Feather State Unit Well No. 2 at an unorthodox gas well location 1340 feet from the South line and 990 feet from the East line (Unit I) of Section 9, Township 15 South, Range 32 East, NMPM, Lea County, New Mexico, in order to test the Pennsylvanian System, which includes the Cisco, Canyon, Strawn, and Atoka formations and the Undesignated North Feather-Morrow Gas Pool, for gas production.

(2) The S/2 of said Section 9 is to be dedicated to said well to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing.

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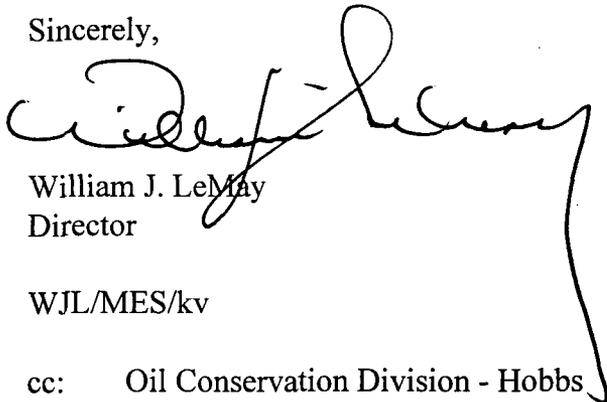
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(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in cursive script, appearing to read "William J. LeMay". The signature is written in black ink and is positioned above the typed name and title.

William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe