



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

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

January 14, 2000

**Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762
Attention: L. M. Sanders**

**Texaco Exploration and Production, Inc.
c/o Campbell, Carr, Berge & Sheridan, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208
Attention: William F. Carr**

Administrative Order NSL-4389

Dear Messrs. Sanders and Carr:

Reference is made to the following: (i) Phillips Petroleum Company's ("Phillips") initial application by letter dated December 30, 1999 that was submitted by Mr. Larry Sanders to the New Mexico Oil Conservation Division ("Division") on January 7, 2000; (ii) an e-mail message from Mr. Michael E. Stogner, Chief Hearing Officer/Engineer with the Division in Santa Fe, to Mr. Sanders on January 10, 2000 requesting additional supporting data; (iii) Texaco Exploration and Production, Inc.'s ("Texaco") application to the Division on January 11, 2000 through its attorneys Campbell, Carr, Berge & Sheridan, P.A.; (iv) a second filing by Phillips through its attorneys, Campbell, Carr, Berge & Sheridan, P.A., on January 11, 2000; (v) Mr. Stogner's telephone conversations with Mr. Sanders on January 12, 2000; (vi) Mr. Stogner's telephone conversations with Mr. Paul R. Owen of Campbell, Carr, Berge & Sheridan, P.A. on January 13, 2000; (vii) the supplemental information submitted by Mr. Sanders on January 13, 2000; (viii) Mr. Stogner's and Mr. Sanders' meeting in Santa Fe on January 13, 2000; (ix) Mr. Owen's e-mail message on January 13, 2000; and (x) the Division's records: all concerning both Phillips' and Texaco's requests to drill the following eight described wells at unorthodox locations along a line common to two separately operated secondary recovery projects within the Vacuum Grayburg-San Andres Pool in Sections 31 and 32, Township 17 South, Range 35 East, NMPM, and Section 6, Township 18 South, Range 35 East, NMPM, all in Lea County, New Mexico:

- (a) East Vacuum G/SA Unit, Tract 3236, Well No. 394 to be drilled 1980 feet from the North line and 10 feet from the West line (Unit E) of Section 32 and completed as a producing well;
- (b) East Vacuum G/SA Unit, Tract 3127, Well No. 395-W to be

drilled 2630 feet from the South line and 645 feet from the East line (Unit I) of Section 31 and completed as an injection well;

- (c) East Vacuum G/SA Unit, Tract 3127, Well No. 396-W to be drilled 2630 feet from the South line and 1950 feet from the East line (Unit J) of Section 31 and completed as an injection well;
- (d) East Vacuum G/SA Unit, Tract 3127, Well No. 397 to be drilled 1910 feet from the South line and 2630 feet from the East line (Unit J) of Section 31 and completed as a producing well;
- (e) East Vacuum G/SA Unit, Tract 3127, Well No. 398-W to be drilled 1350 feet from the South line and 2165 feet from the East line (Unit J) of Section 31 and completed as an injection well;
- (f) East Vacuum G/SA Unit, Tract 3127, Well No. 399-W to be drilled 10 feet from the South line and 660 feet from the East line (Unit P) of Section 31 and completed as an injection well;
- (g) Central Vacuum Unit Well No. 286 to be drilled 634 feet from the South line and 1333 feet from the East line (Unit O) of Section 31 and completed as a producing well; and
- (h) Central Vacuum Unit Well No. 295 to be drilled 669 feet from the North line and 10 feet from the East line (Unit A) of Section 6 and completed as a producing well.

The Division Director Finds That:

- (1) Texaco is the operator of the Central Vacuum Unit Area Pressure Maintenance Project, established by Division Order No. R-5530, as amended. This secondary recovery project and corresponding Central Vacuum Unit Area (see Division Order No. R-5496, dated August 9, 1977) comprise the following described 3,046.2 acres, more or less, area in Lea County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 25: SE/4 NE/4 and S/2

Section 36: All

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM

Section 30: All

Section 31: N/2, SW/4, and SW/4 SE/4

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

Section 12: N/2 NE/4

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 6: All

Section 7: NW/4 NE/4 and NW/4;

- (2) Phillips is the operator of the East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project, established by Division Order No. R-5897, as amended by Division Orders No. R-6856, R-6856-A, and R-6856-B. This enhanced recovery project and corresponding East Vacuum Grayburg-San Andres Unit Area (see Division Order No. R-5871, dated November 27, 1978) comprises the following described 7025.3 acres, more or less, in Lea County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM

Section 24: SE/4

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM

Section 18: Lots 3 and 4 (W/2 SW/4 equivalent) and SE/4 SW/4

Section 19: Lots 1 through 4 (W/2 W/2 equivalent), S/2 NE/4, E/2 W/2, and SE/4

Section 20: SW/4 NE/4, W/2 NW/4, SE/4 NW/4, SW/4, W/2 SE/4, and SE/4 SE/4

Section 21: NE/4 SW/4, S/2 SW/4, and SE/4

Section 22: SW/4, W/2 SE/4, and SE/4 SE/4

Section 23: S/2 SW/4

Section 24: SW/4 SW/4

Section 25: W/2 NW/4

Section 26: N/2, SW/4, N/2 SE/4, and SW/4 SE/4

Sections 27 through 29: All

Section 31: N/2 SE/4 and SE/4 SE/4

Sections 32 and 33: All

Section 34: N/2, SW/4, and NW/4 SE/4

Section 35: N/2 NW/4

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 4: Lots 2, 3, and 4 (NW/4 NE/4 and N/2 NW/4 equivalent)

Section 5: Lots 1 through 4 and S/2 S/2 (N/2 equivalent) and NW/4 SW/4;

- (3) The Vacuum Grayburg-San Andres Pool within both pressure maintenance projects are subject to the statewide rules and regulations for oil wells, as promulgated by Division Rules 104.B (1) and 104.F (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case 12119 on August 12, 1999, which provides for 40-acre oil spacing and proration units and requires that wells be located no closer than the required minimum distance to the outer boundary of the lease or unitized area (pressure maintenance/waterflood project area), in this case 330 feet, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- (4) The eight proposed wells will serve to benefit both pressure maintenance projects by allowing for the completion of an efficient and effective production/injection pattern within this portion of the pool along this common boundary line;
- (5) Both Texaco and Phillips are in the process of finalizing a Producers Cooperative Unit Line Agreement and Water Injection Agreement. By these agreements, the parties will split on a fair and equitable basis, the costs of drilling and operating, and the proceeds from production from, the wells which are the subject of both applications;
- (6) These agreements will ensure the proper production and conservation of oil and gas from the Vacuum Grayburg-San Andres Pool in the subject area, and will ensure that the parties' correlative rights are protected;
- (7) This application has been duly filed under the provisions of Division Rule 104.F; and
- (8) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering practices, and should allow for the recovery of additional reserves that might not otherwise be produced.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104.F (2), Phillips Petroleum Company ("Phillips") and Texaco Exploration and Production Inc. ("Texaco"), as the operator of its respective pressure maintenance project, are hereby authorized to drill the following eight described wells at unorthodox locations within the Vacuum Grayburg-San Andres Pool in Sections 31 and 32, Township 17 South, Range 35 East, NMPM, and Section 6, Township 18 South,

Range 35 East, NMPM, all in Lea County, New Mexico:

- (a) East Vacuum G/SA Unit, Tract 3236, Well No. 394 to be drilled 1980 feet from the North line and 10 feet from the West line (Unit E) of Section 32 and completed as a producing well;
- (b) East Vacuum G/SA Unit, Tract 3127, Well No. 395-W to be drilled 2630 feet from the South line and 645 feet from the East line (Unit I) of Section 31 and completed as an injection well;
- (c) East Vacuum G/SA Unit, Tract 3127, Well No. 396-W to be drilled 2630 feet from the South line and 1950 feet from the East line (Unit J) of Section 31 and completed as an injection well;
- (d) East Vacuum G/SA Unit, Tract 3127, Well No. 397 to be drilled 1910 feet from the South line and 2630 feet from the East line (Unit J) of Section 31 and completed as a producing well;
- (e) East Vacuum G/SA Unit, Tract 3127, Well No. 398-W to be drilled 1350 feet from the South line and 2165 feet from the East line (Unit J) of Section 31 and completed as an injection well;
- (f) East Vacuum G/SA Unit, Tract 3127, Well No. 399-W to be drilled 10 feet from the South line and 660 feet from the East line (Unit P) of Section 31 and completed as an injection well;
- (g) Central Vacuum Unit Well No. 286 to be drilled 634 feet from the South line and 1333 feet from the East line (Unit O) of Section 31 and completed as a producing well; and
- (h) Central Vacuum Unit Well No. 295 to be drilled 669 feet from the North line and 10 feet from the East line (Unit A) of Section 6 and completed as a producing well.

(2) The subject wells shall be governed by all applicable provisions of Division Rules 702 through 706 and the rules and procedures governing both the: (i) Central Vacuum Unit Area

Administrative Order NSL-4389

Phillips/Texaco

January 14, 2000

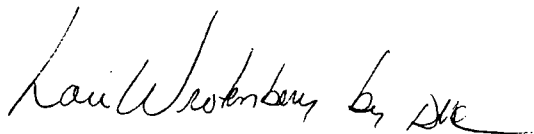
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Pressure Maintenance Project, established by Division Order No. R-5530, as amended; and (ii) East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project, established by Division Order No. R-5897, as amended by Division Orders No. R-6856, R-6856-A, and R-6856-B.

(3) This order shall become effective upon the last party's signing of both the Producers Cooperative Unit Line Agreement and the Water Injection Agreement.

(4) Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery by [initials]".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Mr. Paul R. Owen of Campbell, Carr, Berge & Sheridan, P.A. - Santa Fe