

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. 14013
ORDER NO. R-12901

**APPLICATION OF J. CLEO THOMPSON & JAMES CLEO THOMPSON, JR. L.P. FOR
AN UNORTHODOX OIL WELL LOCATION AND A NON-STANDARD OIL SPACING
AND PRORATION UNIT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing at 8:15 a.m. at Santa Fe, New Mexico on November 1, 2007 before Examiner William V. Jones.

NOW, on this 4th day of February 2008, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) The applicant, J. Cleo Thompson & James Cleo Thompson, Jr. L.P. ("applicant" or "J. Cleo Thompson"), seeks to create an 80-acre, non-standard oil spacing and proration unit in the Undesignated Sawyer-Devonian Pool (55290) consisting of the S/2 NW/4 of Section 13, Township 9 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) In addition, applicant seeks approval to locate its proposed Devonian oil well, the JCT Federal 13 Well No. 1 (API No. 30-025-38597) at an unorthodox oil well location, 2253 feet from the North line and 1551 feet from the West line of Section 13. This well location is 231 feet from the west line of the SE/4 NW/4 (Unit F) of Section 13.

(4) The Sawyer-Devonian Pool is governed according to statewide rules for oil wells. Division Rule 104B.(1) requires oil wells to be located no closer than 330 feet from the outer boundary of a standard 40-acre oil spacing and proration unit.

(5) Division rules allow the Director to approve a non-standard spacing unit after justification for such unit is given and proper notice is provided. Division Rule 1210A.(3) specifies whom are "affected parties" when forming a non-standard proration unit and is stated as follows: "The applicant shall notify all owners of interest in the mineral estate to be excluded from the proration unit in the quarter-quarter section (for 40-acre pools or formations)...and to such other persons as the division requires." There are no such "affected parties" in this case.

(6) The proposed location encroaches only towards a boundary which is internal to the proposed non-standard unit, and accordingly does not affect offsetting units. Approval of a non-standard oil well location is not needed.

(7) No other parties entered an appearance in this case or otherwise opposed the application.

(8) J. Cleo Thompson presented an engineer and geologist as witnesses at the hearing and testimony and exhibits showing that:

(a) J. Cleo Thompson obtained this acreage through term assignments from four different entities. Those assignments have a continuous drilling requirement. Notice of this case and this hearing was provided to each of those parties.

(b) This 80 acres is part of one Federal lease. Working, royalty, and overriding royalty interests are common in this S/2 NW/4 of Section 13.

(c) The location of this well was picked based on 3-D seismic, which shows a small structure sitting in each of the two 40-acre tracts being proposed for this non-standard spacing unit. Both tracts would be drained by a Devonian well producing from this proposed location. The structure does not seem to extend outside of these two tracts. There is a dry Devonian test well directly south of the proposed well, located in Unit K of Section 13.

(d) Permeability was measured in at least one offsetting, older Devonian well through a Drill Stem Test. This permeability is abnormally high for a Devonian oil reservoir and indicates this proposed well would likely drain the entire structure, over both 40-acre tracts.

(e) Large quantities of water are produced from the Devonian in this area and the applicant is attempting to drill into the top of a structure and stay away from the water as long as possible.

(f) Adequate water disposal capacity should be available nearby in the shallower San Andres formation.

(9) The applicant in this case has presented evidence that allowing the formation of this 80-acre non-standard proration unit over the S/2 NW/4 of Section 13 and allowing this well to be drilled at the proposed location will prevent waste and protect the correlative rights of the applicant and other owners in this non-standard unit, and will not impair correlative rights of offsetting owners.

(10) This application should be approved.

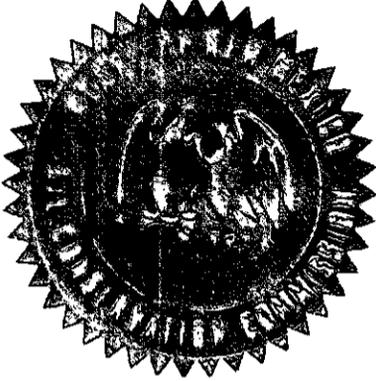
IT IS THEREFORE ORDERED THAT:

(1) The application of J. Cleo Thompson & James Cleo Thompson, Jr. L.P. ("applicant") to form a non-standard 80-acre oil spacing and proration unit within the Undesignated Sawyer-Devonian Pool (55290) consisting of the S/2 NW/4 of Section 13, Township 9 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) The 80-acre non-standard spacing unit shall be dedicated to applicant's proposed JCT Federal 13 Well No. 1 (API No. 30-025-38597), to be operated by J. Cleo Thompson (OGRID 11181).

(3) Jurisdiction of this case 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', written in a cursive style.

MARK E. FESMIRE, P.E.
Director