



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

OLD-Artesia

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Elk Oil Company

Box 310

Roswell, New Mexico 88202

January 5, 2004

Lori Wrotenbery

Director

Oil Conservation Division

Attention: **Joseph J. Kelly**
elkoil@pvtn.net

RECEIVED

JAN 18 2004

Administrative Order NSL-4976

OCD-ARTESIA

Dear Mr. Kelly:

Reference is made to the following: (i) your application for an unorthodox gas well location dated December 8, 2003 (*administrative application reference No. pMES0-335826947*); (ii) your letter dated December 18, 2003 with supplemental data attached; (iii) the New Mexico Oil Conservation Division's ("Division") initial response with a hand written note from Mr. Michael E. Stogner, Hearing Officer/Engineer in Santa Fe, New Mexico dated December 23, 2003; (iv) your telephone conversation with Mr. Stogner on Monday morning, January 5, 2004; and (v) the Division's records.

The Division Director Finds That:

(1) Elk Oil Company ("Elk Oil"), as operator, proposes to re-enter the plugged and abandoned Conestoga State Well No. 1 (API No. 30-005-62887), located 330 feet from the South line and 990 feet from the East line (Unit P) of Section 14, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico;

(2) From your application and the Division's records:

(a) this well was originally drilled by Manzano Oil Corporation of Roswell, New Mexico to a total depth of 6,762 feet to test the Montoya formation at an unorthodox gas well location (approved by Division Order No. R-9583, issued in Case No. 10344 on September 16, 1991) within a standard 320-acre lay-down gas spacing unit comprising the S/2 of Section 14 in early 1992 (spud date, February 29, 1992); and

(b) in late March, 1992 the well tested dry and was plugged and abandoned;

(3) It is the Division's understanding that Elk Oil now intends to reenter this well back to total depth in order to test the Silurian, Devonian, Mississippian, Pennsylvanian, Wolfcamp, and Abo formations for gas, and is therefore seeking an exception to the applicable well location setback requirements governing the aforementioned intervals for this well which is to be dedicated to the following described gas spacing units:

(a) the S/2 to form a standard 320-acre lay-down deep gas spacing unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Palma Mesa Siluro-Ordovician Gas Pool (82556) and Palma Mesa-Pennsylvanian Gas Pool (82550) [see Division Rule 104.C (2)]; and

(b) the SE/4 to form a standard 160-acre shallow gas spacing unit for the Undesignated Pecos Slope-Abo Gas Pool (82730) [see Rule 2 of the "Special Rules and Regulations for the Pecos Slope-Abo Gas Pool," as promulgated by Division

Order No. R-9976-C, dated March 19, 1996];

(4) The subject application has been duly filed under the provisions of Division Rule 104.F (2) and Rule 5 of the special pool rules for the Pecos Slope-Abo Gas Pool, currently pending approval of Division Order No. R-9976-D to be issued in Case No. 13057; and

(5) The subject application, which serves to prevent waste and protects correlative rights and being in the best interest of conservation, should be approved.

It Is Therefore Ordered That:

(1) Elk Oil Company is hereby authorized to re-enter the plugged and abandoned Manzano Oil Corporation Conestoga State Well No. 1 (API No. 30-005-62887), at an unorthodox gas well location 330 feet from the South line and 990 feet from the East line (Unit P) of Section 14, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico, in order to test all formations from the top of the Abo formation to a depth of 6,762 feet for gas production.

(2) The above-described Conestoga State Well No. 1 is to be dedicated to the following described gas spacing units in Section 14:

(a) the S/2 to form a standard 320-acre lay-down deep gas spacing unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Palma Mesa Siluro-Ordovician Gas Pool (82556) and Palma Mesa-Pennsylvanian Gas Pool (82550); and

(b) the SE/4 to form a standard 160-acre shallow gas spacing unit for the Undesignated Pecos Slope-Abo Gas Pool (82730).

Provided However That:

(3) Final approval of this well as an unorthodox shallow gas well location within the Undesignated Pecos Slope-Abo Gas Pool will not be made effective until such time as Division Order No. R-9976-D is issued in Case No. 13057.

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

Sincerely,



Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
File: Division Case No. 13057