

(15) The combined penalties should be cumulative so that the proportion of the top allowable assigned at the proposed location would be  $(1-P_1) \times (1-P_2)$ , or  $.25 \times .625 = .15625$ .

(16) The distance moved toward the offsetting lease together with the depth of the well indicates a strong possibility the well may encroach even closer to the Santa Fe Exploration lease or even trespass on that lease, and therefore a continuous directional survey should be run on the well and a copy thereof filed with the Division so that the true location of the well at the productive interval can be determined.

(17) The penalty should be based upon the bottomhole location of the well using the procedure described in Finding Paragraphs (13) through (15), above.

(18) The drilling of the well with appropriate penalty as described above will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Curry and Thornton for an unorthodox oil well location for the North King Camp-Devonian Pool is hereby approved for a well to be located at a point 1980 feet from the South line and 2475 feet from the West line of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico.

(2) The E/2 W/2 of said Section 9 shall be dedicated to the above-described well forming a 160-acre non-standard oil spacing and proration unit for said pool.

(3) A continuous directional survey shall be run on the well and filed with the Division so that the bottomhole location at the producing interval may be determined.

(4) The depth bracket allowable for the well shall be penalized by using the following formula, based on the bottomhole location of the well:

- a. a penalty ( $P_1$ ) based on the proportion of distance the actual location is moved toward the boundary from the standard location;

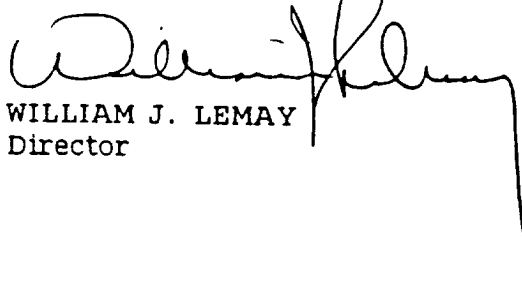
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- b. a penalty ( $P_1$ ) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of  $(1-P_1) \times (1-P_2)$ .

(5) 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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