



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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GOVERNOR

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September 28, 1990

Greenhill Petroleum Corp.
12777 Jones Road
Suite 375
Houston, TX 77070

Attention: Michael J. Newport

*RE: Unorthodox oil well locations, Lovington San Andres Unit
Well Nos. 63, 64, 65, 66 and 68, Lovington Grayburg San
Andres Pool, Lea County, New Mexico.*

Dear Mr. Newport:

Having reviewed many applications from Greenhill Petroleum Corporation for unorthodox oil well locations in waterflood project areas in the last several months, the same errors and oversights to the General Rules continue to occur. Small as these oversights may be, they consistently take your time and mine causing delays in the processing of the applications, and in most cases, preventing the applications from being considered administratively.

I have attached a copy of General Rule 104.F, which is the requirements for unorthodox locations. In particular, Paragraph F.I. states, in part:

"to permit the completion of an efficient production and injection pattern within a secondary recovery or pressure maintenance project, provided that any such unorthodox location within such project is no closer than 330 feet to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary."

It appears that Well Nos. 64, 65 and 68 are only five feet from one of these interior boundaries. Therefore, these applications cannot be approved administratively and will require a hearing. Please contact me at your earliest convenience should you desire to have these set for the next examiner hearing.

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Also, Paragraph 104.IV states that, "all operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified..." Both the NW/4 NE/4 (Unit B) and the SW/4 SW/4 (Unit M) of Section 36, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, in which the No. 63, 65 and 66 wells are located, are situated at the border of the Unit Area by their northwest corners. Your application stated that Greenhill is the operator of the Lovington Paddock Unit which is the acreage offsetting these tracts; however, these particular applications are for wells in the San Andres formation and I'm still unclear by looking at the land plat provided as to who controls the San Andres formation in the offsetting area.

So that the remaining applications may be processed, please address these concerns as soon as possible.

Should you have any questions concerning this matter, please contact me. Thank you for your cooperation.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

Oil Conservation Division - Hobbs

size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 160 acres is the standard unit size or wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard unit size.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section (for 160-acre pools or formations) or the half section (for 320-acre pools or formations) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Director has received the application.

E. Form C-101, Application for Permit to Drill, Deepen, or Plug Back for any well shall designate the exact legal subdivision allotted to the well and no Form C-101 will be approved by the Division or any of its agents without such proper designation of acreage.

F. UNORTHODOX LOCATIONS

I. The Division Director shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions, the recompletion of a well previously drilled to a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon, or ~~to permit the completion of an efficient production and injection pattern within a secondary recovery or pressure maintenance project, provided that any such unorthodox location within such project is no closer than 330 feet to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.~~

II. The Division Director shall have authority to grant an exception to the well location requirements of Rule 104 B.I.(a) and Rule 104 C.II.(a) without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions provided that any such unorthodox location shall be no closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the proration unit.

III. Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats, showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions. If the proposed unorthodox location is based upon completion of an efficient production and injection pattern, the plat shall also show the project outline identifying all producing and injection wells therein, and the applicant shall further include a statement setting forth the necessity for such location. If the proposed unorthodox location is based upon geology as provided in Paragraph II above, the application shall include

appropriate geologic maps, cross-sections, and/or logs, and a discussion of the geologic conditions which result in the necessity for the unorthodox location.

IV. ~~All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given.~~ The Division Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application.

V. The Division Director may, at his discretion, set any application for administrative approval of an unorthodox location for public hearing.

G. Whenever an exception is granted, the Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39½ acres or more than 40½ acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard unit for the pool.

J. In computing acreage under H and I above, minor fractions of an acre shall not be counted but ½ acres or more shall count as 1 acre.

K. The provisions of H and I above shall apply only to wells completed after January 1, 1950. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

L. In order to prevent waste the Division may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of B and C above.

M. The Division may approve the pooling or communitization of fractional lots of 20.49 acres or less with another oil proration unit when:

1. The units involved are contiguous;
2. They are part of the same basic lease, carrying the same royalty interest; and
3. The ownership of the units involved is common.

Application to the Division for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells.