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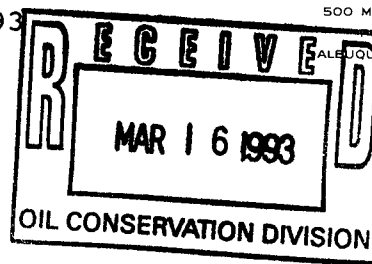
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*NOT LICENSED IN NEW MEXICO

William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

March 16, 1993



Re: Application of Charles B. Gillespie, Jr. for Administrative Approval of a Non-Standard Unit; Earnestine State Well No. 1, 990' FNL and 1,980' FEL, Lots 2 and 7 (W $\frac{1}{2}$ NE $\frac{1}{4}$ equivalent) of Section 1, Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico

Dear Mr. LeMay:

Charles B. Gillespie, Jr. hereby applies for a non-standard unit for the above well. The well was drilled and completed in the Strawn formation. Pursuant to Division Order No. R-9722, spacing for the Strawn formation is 80 acres. Mr. Gillespie desires to dedicate Lots 2 (51.16 acres) and 7 (40 acres), comprising 91.16 acres, to the subject well, and thus the unit is non-standard pursuant to Rule 6 of Order No. R-9722. The non-standard unit is necessitated by a variation in the U.S. Public Land Survey.

Mr. Gillespie is the only offset operator. Enclosed is a land plat (presented in Case No. 10,498) which outlines in green the acreage operated by Mr. Gillespie. The well unit is outlined in red. (The Phillips acreage in the S $\frac{1}{2}$ of Section 33 has been farmed out to Mr. Gillespie.)

JGB5\93563.c

*Undesignated West Livingston - Strawn
formerly*

William J. LeMay
Page Two
March 16, 1993

Mr. Gillespie has filed a Form C-102 and a Form C-105 with the Division office in Hobbs.

Please call me if you have any questions.

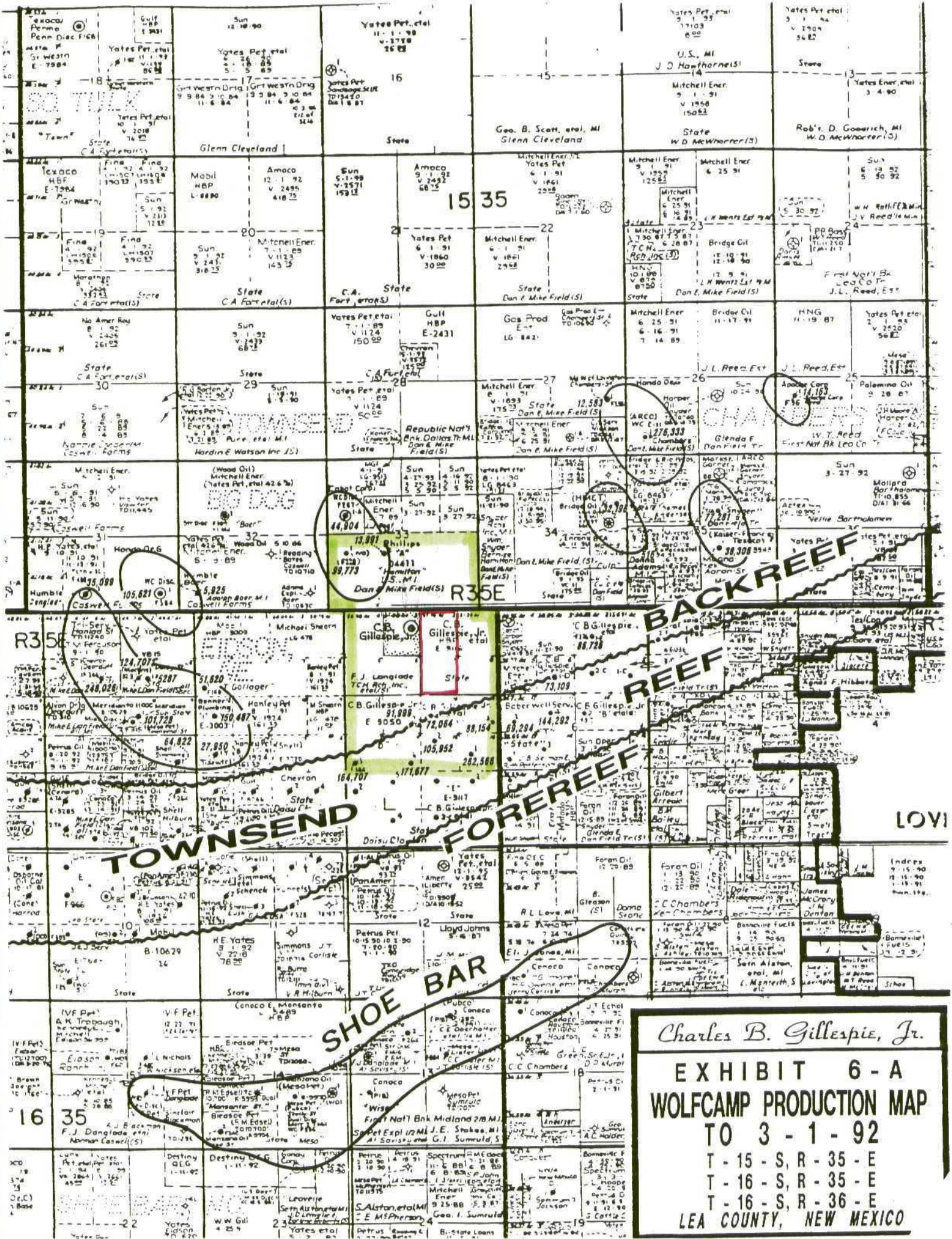
Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY


James Bruce

JB:frs
Enclosure

VIA HAND DELIVERY



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:

*NOMENCLATURE
CASE NO. 10530
ORDER NO. R-9722*

**APPLICATION OF CHARLES B. GILLESPIE, JR.
FOR POOL CREATION AND SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 3, 1992, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 23rd day of September, 1992 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Charles B. Gillespie, Jr., is the owner and operator of the Hamilton Federal Well No. 1 located 330 feet from the South line and 2145 feet from the East line (Unit O) of Section 33, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico, which was completed in June 1992 as a wildcat Strawn oil well from perforations at 11,500 to 11,520 feet subsurface.

(3) The applicant now seeks the creation of a new pool for the production of oil from the Strawn formation comprising the W/2 SE/4 of Section 33, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico, and the promulgation of special rules therefor including provisions for 80-acre spacing and designated well location requirements whereby wells would be no closer than 330 feet to the outer boundary of a spacing unit.

(4) Evidence presented by the applicant at the time of the hearing indicates that the newly discovered reservoir is similar in nature to other Strawn producing oil pools in the general area such as the Humble City, Shipp, and Casey Strawn Pools and the Northeast Lovington Pennsylvanian Pool, which is primarily a Strawn producing pool, all of which produce from localized high porous algal reef mounds within the Strawn interval. Such evidence further indicates that the Strawn formation encountered in the above-described well is of high permeability and is capable of draining an area in excess of 40 acres.

(5) In order to 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, prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for said pool.

(6) The proposed 330-foot set-back requirement is a departure from the established set-back requirements for 80-acre pools which restricts well locations to an area of 150 feet radius of the center of either quarter-quarter section or lot in the unit.

(7) Numerous location exceptions have been granted over the years in the four above-mentioned pools based on geology so as to increase the likelihood for a well to intercept these numerous "patch reefs" found in the Strawn formation in this area of Lea County, New Mexico.

FINDING: The 330-foot set-back request would serve to provide the operators in the subject pool maximum flexibility in locating wells at more favorable positions on the reef mound or mounds in the immediate area.

(8) In order to assure orderly development of the pool and to deter the grouping of wells at intersections of spacing units, a requirement of 1020 feet between wells should be adopted for said pool. (1020 feet being the minimum distance two wells could be from one another in pools with 80-acre spacing and the 150-foot radius setback requirements.)

(9) In the best interest of conservation and to protect correlative rights, the temporary special rules and regulations should include set-back requirements that incorporate the above-described restrictions.

(10) The applicant proposes to designate the above-described pool as the Patience-Strawn Pool; however the name "Patience" does not appear to correspond to the Division's long-standing policy of referencing nearby geographical place names to a pool name. On the recommendation of the Hobbs District Office, said pool should instead be designated the East Big Dog-Strawn Pool.

(11) A new pool classified as an oil pool for Strawn production should be created and designated the East Big Dog-Strawn Pool, with vertical limits to include the Strawn formation and the horizontal limits comprising the W/2 SE/4 of Section 33, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico. Further, the proposed pool should be established for a two-year period in order to allow the operators in the subject pool to gather sufficient reservoir information to determine that the area can be sufficiently and economically drained and developed by one well.

(12) This case should therefore be reopened at an examiner hearing in September, 1994, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the East Big Dog-Strawn Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Lea County, New Mexico, classified as an oil pool for Strawn production is hereby created and designated the East Big Dog-Strawn Pool, with vertical limits comprising the Strawn formation and the horizontal limits comprising the following described area:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM
Section 33: W/2 SE/4.

(2) The Temporary Special Rules and Regulations for the East Big Dog-Strawn Pool, Lea County, New Mexico, are hereby promulgated as follows:

**TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
EAST BIG DOG-STRAWN POOL**

RULE 1: Each well completed or recompleted in the East Big Dog-Strawn Pool or in the Strawn formation within one mile thereof, and not nearer to or within the limits of another Strawn oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2: Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section; provided however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in that unit.

RULE 3: The Director of the Oil Conservation Division, hereinafter referred to as the "Division", may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within thirty days after the Director has received an application.

RULE 4: Each well shall be located no closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1020 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5: The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within twenty days after the Director has received the application.

RULE 6: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth-bracket allowable of 445 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

(3) The locations of all wells presently drilling to or completed in the East Big Dog-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well within thirty days from the date of this order.

(4) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the East Big Dog-Strawn Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

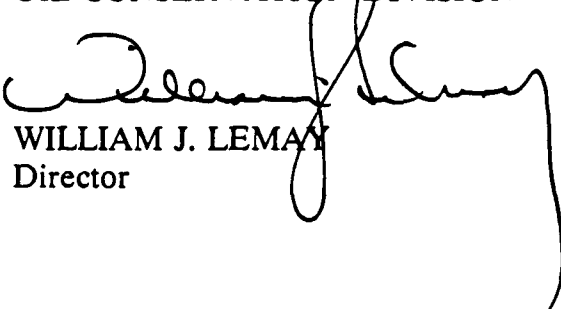
Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within sixty days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said sixty-day limitation, each well presently drilling to or completed in the East Big Dog-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(5) Unless called earlier upon the motion of the Division, this case shall be reopened at an examiner hearing in September, 1994, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the East Big Dog-Strawn Pool should not be rescinded and said pool not be developed on 40-acre spacing units.

(6) 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

S E A L

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:

NOMENCLATURE
CASE NO. 10660
ORDER NO. R-9722-A

**APPLICATION OF CHARLES B. GILLESPIE, JR. FOR POOL REDESIGNATION
AND TO AMEND DIVISION ORDER NO. R-9722, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 21, 1993 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 26th day of January, 1993 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Division Order No. R-9722, issued in Case No. 10530 and dated September 23, 1992, the East Big Dog-Strawn Pool was created for the production of oil from the Strawn formation in a portion of Section 33, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico. Said order also promulgated special rules and regulations for said pool including provisions for 80-acre spacing and designated well location requirements.

(3) The applicant in said Case No. 10530, Charles B. Gillespie, Jr., requested the subject pool be designated the "Patience-Strawn Pool", however this name was rejected by the Division due to its "pool-naming" policy (see Finding Paragraph No. 10 of Order No. R-9722). The East Big Dog-Strawn designation came from the nearby "Big Dog-Strawn Pool" located approximately two miles west in Section 32, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico (hence the name East Big Dog).

(4) At this time the applicant, Charles B. Gillespie, Jr., seeks the redesignation of the "East Big Dog-Strawn Pool" to the "West Lovington-Strawn Pool."

(5) As pointed out by the applicant by letter dated October 6, 1992, the name "Big Dog" does not appear to reference any known geographical place name or large canine-like feature that may be or have been found, either dead or alive, in the immediate area and therefore, perhaps, was not in accordance with policy in the first place.

(6) As a compromise, Gillespie's request to reference a nearby community by name is appropriate and should therefore be accepted.

(7) No objection to this compromise was filed by any interested party.

(8) All references to the "East Big Dog-Strawn Pool" in said Order No. R-9722 should be changed to read "West Lovington-Strawn Pool."

IT IS THEREFORE ORDERED THAT:

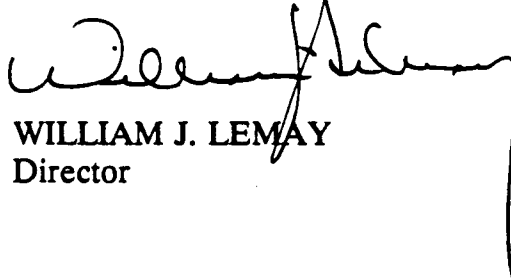
(1) All references to the "EAST BIG DOG-STRAWN POOL" made in Decretory Paragraph No. (1) on page 3; No. (2), including Rule 1, on page 3; No. (3) on page 5; No. (4) on page 5; and No. (5) on page 5 of said Division Order No. R-9722 are hereby amended to read the "WEST LOVINGTON-STRAWN POOL".

(2) Said amendments set forth in this order shall be entered retroactively to September 23, 1992.

(3) 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

S E A L