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March 19, 1997

**Hand Delivered**

Michael E. Stogner  
New Mexico Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Case 11741; Application of UMC Petroleum Corporation for  
a non-standard spacing and proration unit

Dear Mr. Stogner:

Enclosed is a proposed order in the above case, together with a disk containing the order. As you requested, I submitted it to Mr. Carr, on behalf of Yates, and Mr. Kellahin, on behalf of Amerind. Yates had no objection, but I have received no comment from Amerind. I do not know if this order addresses all of your concerns about development of the Strawn formation in Section 2, but I submit it nonetheless.

Very truly yours,



James Bruce

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. 11741  
ORDER NO. R-

APPLICATION OF UMC PETROLEUM  
COMPANY FOR A NON-STANDARD  
OIL PRORATION UNIT, LEA  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 6, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_\_ day of March, 1997, 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, UMC Petroleum Corporation, seeks approval of an 80-acre non-standard oil spacing and proration unit comprising Lots 16 and 17 of Section 2, Township 16 South, Range 35 East, NMPM, Undesignated South Big Dog-Strawn Pool or Undesignated West Lovington-Strawn Pool, Lea County, New Mexico, to be dedicated to the applicant's Townsend State Well No. 1, being drilled at an orthodox oil well location 3526 feet from the South line and 727 feet from the East line of said Section 2.

(3) The applicant's well is located within one mile of the outer boundary of both the South Big Dog-Strawn Pool and the West Lovington-Strawn Pool, and would therefore be subject to the Special Rules and Regulations for said pools as promulgated by Division Order No. R-9722, as amended, which provide for 80-acre well spacing units.

(4) Section 2 is an irregular "long" section comprised of 1001.16 acres, and contains 24 lots or quarter-quarter sections.

(5) The applicant commenced its Townsend State Well No. 1, located in Lot 16 of Section 2, on December 19, 1996, and the well has reached total depth. Well costs to date are approximately \$600,000.

(6) Before commencing its well, applicant submitted a Form C-101 (Application for Permit to Drill) with the Division's Hobbs District Office. The Form C-102 (Well Location and Acreage Dedication Plat) attached thereto outlined a well unit comprised of Lots 16 and 17 of Section 2. The Form C-101 was approved December 9, 1996. The applicant filed the Forms C-101 and C-102 upon the belief that its proposed spacing and proration unit was standard.

(7) By letter decision dated February 5, 1997, issued by the Division in Case No. 11717, the Division determined that a well unit comprised of Lots 7 and 10 of said Section 2 was non-standard. Based on the Division's letter decision, the applicant's well spacing and proration unit is non-standard; standard spacing and proration units for the applicant's well would be comprised of either Lots 9 and 16 or Lots 15 and 16.

(8) Lot 15 is unavailable to form a well unit for applicant's well because Lots 10 and 15 of Section 2 are committed to a Joint Operating Agreement among Yates Petroleum Corporation and the applicant, signed in December 1996, under which the Field APK State Well No. 1, a Strawn test, is currently being drilled at an orthodox location in Lot 10.

(9) Lots 8 and 9 of Section 2 are the subject of competing compulsory pooling applications filed by Yates Petroleum Corporation (Case No. 11739) and Amerind Oil Company, Ltd. (Case No. \_\_\_\_\_).

(10) Neither Yates Petroleum Corporation nor Amerind Oil Company, Ltd., nor any other interested offset operator or lessee, opposed the applicant's request herein.

(11) The applicant is the lessee of Lots 14 through 19 and Lots 22 through 24 of Section 2, which are subject to State of New Mexico oil and gas leases. The applicant testified that it is willing to form a 40-acre non-standard spacing and proration unit in the Strawn formation in the future in order to remedy the Strawn well development patterns in the South two-thirds of Section 2.

(12) Lots 11 and 14 of Section 2 have been dedicated to a well unit for a Strawn well to be drilled by Yates Petroleum Corporation and the applicant.

(13) Because the applicant assumed the sole risk of drilling the Townsend State Well No. 1, and the well was commenced in the

good faith belief that the proposed well unit was standard, and because of the willingness of applicant to use its remaining leasehold acreage in Section 2 to remedy any disruption of standard spacing and proration units in Section 2, the applicant's request for a non-standard spacing and proration unit should be granted.

(14) The granting of this application is in the interests of conservation and the prevention of waste.

IT IS THEREFORE ORDERED THAT:

(1) The application of UMC Petroleum Corporation for an exception to the Special Rules and Regulations for the South Big Dog-Strawn Pool or the West Lovington-Strawn Pool, as promulgated by Division Order No. R-9722, as amended, authorizing an 80-acre non-standard oil spacing and proration unit, is hereby approved for its Townsend State Well No. 1, located 3526 feet from the South line and 727 feet from the East line of Section 2, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) An 80-acre non-standard oil spacing and proration unit comprising Lots 16 and 17 of said Section 2 is hereby established and dedicated to said well.

(3) In the event the applicant or any successor operator drills additional Strawn wells within Lots 18, 19, 22, 23, or 24 of Section 2, one of said wells shall have a 40-acre non-standard spacing and proration unit dedicated thereto. The well to which a 40-acre unit is dedicated shall not be commenced until Division approval for said non-standard unit is obtained.

(4) 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