



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



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July 25, 1994

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Santa Fe, New Mexico 87504

RE: CASE NO. 10998
ORDER NO. R-4699-A

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,


Sally E. Martinez
Administrative Secretary

cc: BLM - Carlsbad

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. 10998
ORDER NO. R-4699-A

**APPLICATION OF HALLWOOD PETROLEUM INC. FOR UNORTHODOX OIL
WELL LOCATION AND 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 June 9, 1994, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 25th day of July, 1994, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premisses,

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, Hallwood Petroleum, Inc., seeks to establish a non-standard 80-acre oil spacing and proration unit in the Undesignated Hat Mesa-Delaware Pool. Said unit would include the SW/4 SE/4 and the SE/4 SE/4 of Section 30, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico.

(3) The proposed unit would be dedicated to Hallwood's Bass Federal Well No.2, which was drilled at an unorthodox location 660 feet from the South line and 1300 feet from the East line (Unit P) of said Section 30. The applicant also seeks approval for the unorthodox location.

(4) The Bass Federal Well No. 2 was originally drilled and completed as a Morrow well by Belco Petroleum Corporation in 1974. The location was unorthodox and was approved by Division Order No. R-4699. Hallwood became operator of the well in 1989. It was plugged back from the Morrow to the Wolfcamp in 1993 and then to the Delaware when commercial production could not be established in the Wolfcamp.

(5) A lower Delaware interval from 7,900 to 8,100 feet was perforated in August 1993 and production began in September 1993. Upper Delaware perforations from 6870 to 6965 feet were added in May 1994. The well produced 120 barrels of oil, 150 water, and 40 MCF of gas on a June 3, 1994 test.

(6) Division's General Rule 104.C.(1)(a) is applicable for determining acreage and well location requirements in the Hat Mesa-Delaware Pool. The rule provides for 40-acre spacing with wells not closer than 330 feet to quarter-quarter section lines.

(7) Since the well is located only 20 feet from the line between the SE/4 SE/4 and the SW/4 SE/4 of Section 30, the applicant proposes to assign both quarter-quarter sections of the well. The applicant does not plan to drill additional wells on either 40-acre tract at this time.

(8) The 40-acre allowable in the Hat Mesa-Delaware Pool is 142 barrels per day which exceeds the indicated producing capacity of the well. Top allowable assigned to Bass Federal Well No. 2 should therefore be set at 142 barrels.

(9) Applicant's exhibits indicate that the SW/4 SE/4 of Section 30 is a state tract and the SE/4 SE/4 is federal. There are several working interest and overriding royalty interests in the two tracts.

(10) A Communitization Agreement covering the two 40-acre tracts was submitted by the applicant. The agreement will provide for the equitable distribution of the proceeds from production.

(11) At the hearing, applicant's witness stated that revenue from previous as well as future Delaware production would be distributed to owners of the entire 80-acre tract.

(12) A letter to OCD from the Oil, Gas, and Minerals Division of the New Mexico Land Office indicates no objection to the applicant's proposal.

(13) No other interest owner or operator appeared at the hearing in opposition to the application.

(14) Approval of the application will allow the applicant to efficiently produce the reserves underlying the 80-acre tract without damage to offset operators and to distribute proceeds to the interest owners in an equitable manner. Approval will therefore prevent waste and protect correlative rights and should be granted.

IT IS THEREFORE ORDERED THAT:

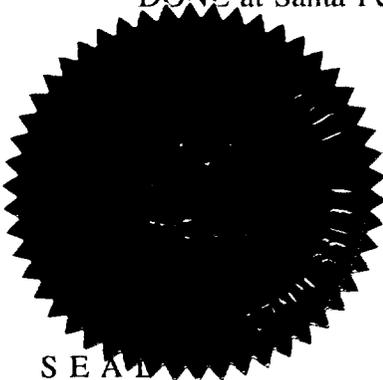
(1) The applicant, Hallwood Petroleum Inc., is hereby authorized to establish a non-standard 80-acre oil spacing and proration unit in the Undesignated Hat Mesa-Delaware Pool. Said unit shall include the SW/4 SE/4 and the SE/4 SE/4 of Section 30, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico.

(2) The non-standard unit shall be dedicated to the Hallwood Petroleum Inc. Bass Federal Well No. 2 which is located at an unorthodox oil well location 660 feet from the South line and 1300 feet from the East line (Unit P) of said Section 30. The unorthodox location is hereby approved.

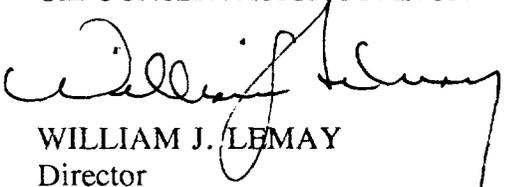
(3) The allowable assigned to the Bass Federal Well No. 2 shall not exceed 142 barrels per day.

(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