

6/21/1990

Open ⊕	8 Yates Petroleum Corp. 12-1-89 ●	9 Amerada Hess Corp. HBP ●	10 BHP Petroleum Inc. 1-1-92 BHP Petroleum Inc. HBP ●	LOVINGTON, N.E. FIELD AREA Lea Co., New Mexico Land Map A C R E A G E PEPCO #5 St. 7/6"
T 16 S	17 Yates Energy, et al HBP ●	16 Chevron HBP Amerada Hess HBP ●	15 Amerada Hess / HBP PEPCO 1-90 1.25 % WI	Proposed Location 2310 FSL 900 FNL See 16-165-37E Proration Unit
HBP	17 BTA 1 ● ↑ 2 ● ↑	16 PEPCO, etal HBP 53.87 % WI ⊕ 2 ● 4 ●	15 PEPCO, etal 22.5% WI 10-90 PEPCO 23.75% WI 10-90 PEPCO 40% WI 10-90	⊕ X 1000 ft May 1990
HBP	20 PEPCO, etal HBP ●	21 PEPCO ⊕ HBP 100 % WI ●	22 PEPCO 1.5625% WI 10-90	0 4
HBP	20 PEPCO, etal HBP ●	21 PEPCO ⊕ HBP 100 % WI ●	22 PEPCO 1.5625% WI 10-90	X 1000 ft May 1990

Pennzoil 9952 2

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. 9951
Order No. R-9195

APPLICATION OF PENNZOIL EXPLORATION
AND PRODUCTION COMPANY FOR AN
UNORTHODOX OIL WELL LOCATION, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 30, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of June, 1990, 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, Pennzoil Exploration and Production Company, seeks approval to drill its State "16" Well No. 5 at an unorthodox oil well location 2310 feet from the South line and 900 feet from the West line (Unit L) of Section 16, Township 16 South, Range 37 East, NMPM, Northeast Lovington-Pennsylvanian Pool, Lea County, New Mexico.

(3) The applicant proposes to dedicate the N/2 SW/4 of said Section 16 to the subject well forming a standard 80-acre spacing and proration unit.

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(4) The proposed well is located within the Northeast Lovington-Pennsylvanian Pool and is therefore subject to the special rules and regulations for said pool as promulgated by Division Order No. R-3816, which require 80-acre spacing and proration units with well to be located within 150 feet of the center of either quarter-quarter section or lot.

(5) The applicant presented geologic evidence and testimony which indicates the following:

- a. The NW/4 SW/4 of said Section 16 is structurally higher than the NE/4 SW/4 and is therefore the preferred quarter-quarter section in which to drill the subject well.
- b. Within the NW/4 SW/4 of said Section 16, a well at the proposed unorthodox location should penetrate the reef or algal mound within the Strawn formation in an area of greater thickness and porosity development than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial production.

(6) The evidence further indicates that the affected offset acreage, being the S/2 NW/4 of said Section 16, is owned by those parties who are participating in the drilling of the subject well.

(7) No other interest owner and/or offset operator appeared at the hearing in opposition to the application.

(8) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the Northeast Lovington-Pennsylvanian 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:

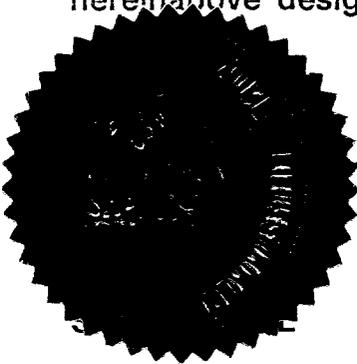
(1) The applicant, Pennzoil Exploration and Production Company, is hereby authorized to drill its State "16" Well No. 5 at an unorthodox oil well location 2310 feet from the South line and 900 feet from the West line (Unit L) of Section 16, Township 16 South, Range 37 East, NMPM, Northeast Lovington-Pennsylvanian Pool, Lea County, New Mexico.

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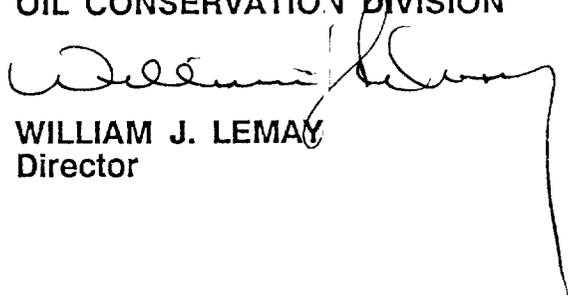
(2) The N/2 SW/4 of said Section 16 shall be dedicated to the above-described well forming a standard 80-acre spacing and proration unit for said pool.

(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