

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:

CASES NOS. 10211 AND 10219
ORDER NO. R-9480-A

APPLICATION OF SANTA FE
ENERGY OPERATING PARTNERS,
L.P. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

APPLICATION OF HANLEY PETROLEUM INC.
FOR COMPULSORY POOLING OR, IN THE
ALTERNATIVE, FOR A NON-STANDARD
PRORATION AND SPACING UNIT, LEA
COUNTY, NEW MEXICO.

EMERGENCY ORDER OF THE DIVISION

BY THE DIVISION

This matter having come before the Division upon the Application of Hanley Petroleum Inc. for an Emergency Order and the Division Director having considered the request and being fully advised in the premises,

NOW, on this _____ day of April, 1991, the Division Director:

FINDS THAT:

(1) Division Order No. R-9480 was entered on March 29, 1991, upon the application of Santa Fe Energy Operating Partners, L.P. for a compulsory pooling order of the Hanley Petroleum Inc. interests.

(2) On April 8, 1991 Hanley Petroleum Inc. filed with the Division a request for De Novo Hearing in this matter which will be set for hearing before the New Mexico Oil Conservation Commission on May 9, 1991.

(3) Hanley Petroleum Inc. ("Hanley") is the 100% working interest owner of the federal lease consisting of the NW/4NW/4 (40 acres) of Section 8, T18S, R33E, Lea County, New Mexico.

(4) Santa Fe Energy Operating Partners, L.P. ("Santa Fe") is the operator of the Kachina "8" Federal No. 1 well located in NE/4NW/4 of said Section 8 immediately east of the Hanley tract.

(5) The Kachina "8" Federal No. 1 well is currently completed in and producing from the Undesignated Corbin-Wolfcamp Oil Pool, and on March 5, 1991 Santa Fe reported flowing rates during production testing of the Wolfcamp zone in this well reaching 768 barrels of oil and 680,000 cubic feet of gas per day through a 16/64 inch choke.

(6) At the Division Examiner hearing of the subject cases held on March 7, 1991, Santa Fe's petroleum engineer testified that the Kachina "8" Federal No. 1 well would drain the Hanley tract.

(7) Santa Fe is seeking to pool the Hanley tract and to consolidate the Hanley tract with the SW/4NW/4 in which Santa Fe has a 25% interest to form an 80-acre spacing unit but then proposes that the well be drilled in the south 40 acres rather than on the Hanley tract.

(8) In reply, Hanley has unsuccessfully attempted to have the subject well drilled on the Hanley tract so that the Hanley reserves could be protected from being produced by the Santa Fe operated Kachina "8" Federal No. 1 well in which Hanley has no interest and now seeks to have the Commission resolve this matter.

(9) In the interim, pending resolution of this dispute, Santa Fe continues to produce the offsetting Kachina "8" Federal No. 1 well draining the Hanley tract and Hanley is helpless to avoid the drainage.

(10) An emergency exists pursuant to Division Rule 1202 requiring the Division to issue an Emergency Order to shut in the Kachina "8" Federal No. 1 well to minimize

the uncompensated drainage that is occurring and to prevent the impairment of Hanley's correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Santa Fe Energy Operating Partners, L.P. as operator of the Kachina "8" Federal No. 1 well located in NE/4NW/4 of Section 8, T18S, R33E, Lea County, New Mexico is hereby ordered to immediately shut in the subject well and cease its production pending further order of this Division.

(2) Santa Fe Energy Operating Partners, L.P. and Hanley Petroleum Inc. shall both appear at the Commission's DeNovo Hearing of Cases Nos. 10211 and 10219 and show cause why this Emergency Order should not be made permanent pending the drilling and completion of a well in the W/2NW/4 of said Section 8.

(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.

OIL CONSERVATION DIVISION

WILLIAM J. LEMAY,
Director