



STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION

GARREY CARRUTHERS
 GOVERNOR

POST OFFICE BOX 2088
 STATE LAND OFFICE BUILDING
 SANTA FE, NEW MEXICO 87504
 (505) 827-5800

August 28, 1990

Mr. William F. Carr
 Campbell & Black, P.A.
 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208

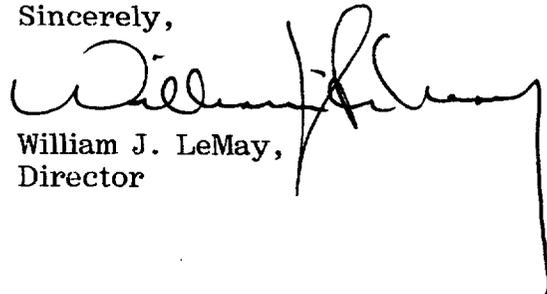
Re: Increased allowable for the North King Camp-Devonian
 OCC Order R-9035

Dear Mr. Carr:

Your request for increased allowable for the North King Camp-Devonian Pool in the absence of compliance with Order R-9035 is hereby denied. The limitations on production imposed by the order were set to prevent waste and prevent harm to correlative rights which could occur in the pool under competitive operations.

At such time as the operators in the pool can agree to unitization or a common plan of operation which will satisfy the Commission, the allowable will be increased. This is consistent with Secretary Watkin's request because it will prevent the waste of the resource.

Sincerely,



William J. LeMay,
 Director

WJL:RGS

cc: Ernest L. Padilla, Esq.
 W. Thomas Kellahin, Esq.

Stovall - comments?

9617
 9675

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

August 24, 1990

HAND-DELIVERED

RECEIVED

AUG 24 1990

OIL CONSERVATION DIVISION

Mr. William J. LeMay, Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87501

Re: Increased Allowables for the North King Camp-Devonian Pool

Dear Mr. LeMay:

In response to recent developments in the Middle-East, Secretary of Energy James Watkins, has called on state regulatory authorities to increase allowables thereby increasing domestic production of oil.

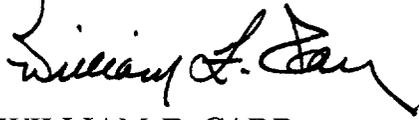
As you are aware, the allowables for the North King Camp-Devonian Pool were restricted by the Commission in Order No. R-9035 until the owners in the pool were able to agree to voluntary unitization of this pool. Although the owners in the pool have attempted to negotiate a plan for unitization, as of this date no such agreement has been reached. Therefore production from the pool remains arbitrarily restricted to a rate of 17% of what the depth bracket allowable would be under state wide rules.

We therefore request that the Commission increase allowables for this pool from the current rate of 174 BOPD to 1030 BOPD, with 216 BOPD being allocated to the Stevens tract and 814 BOPD to the Santa Fe Exploration Company tract pursuant to the provisions of Commission Order No. R-9035. We believe this action would serve the best interests of all owners in the pool, would not cause waste or impair correlative rights and would be an appropriate response from the Commission to the request of Secretary Watkins.

Mr. William J. LeMay, Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
August 24, 1990
Page Two

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is written in a cursive style with a prominent initial "W".

WILLIAM F. CARR

WFC:mlh

cc: Ernest L. Padilla, Esq.
W. Thomas Kellahin, Esq.

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. 9529
ORDER NO. R-8806

NOMENCLATURE

APPLICATION OF SANTA FE EXPLORATION
COMPANY FOR POOL CREATION, SPECIAL
POOL RULES AND DISCOVERY ALLOWABLE,
CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 22, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 9th day of December, 1988, 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, Santa Fe Exploration Company, is the owner and operator of the Holmstrom Federal Well No. 1 located 1980 feet from the South and East lines (Unit J) of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico, which was spudded July 29, 1988, drilled to a total depth of 9,758 feet, and successfully tested in the Devonian formation.

(3) Applicant now seeks the creation of a new pool for the production of oil from the Devonian formation consisting of the SE/4 of said Section 9 and the promulgation of temporary special rules and regulations therefor including a provision for 160-acre spacing and proration units and designated well location requirements.

(4) Applicant further seeks the assignment of an oil discovery allowable pursuant to Division General Rule 509 to the above-described well but at the time of the hearing, the applicant requested this portion of the application be dismissed.

(5) The evidence presently available indicates that the aforementioned well has discovered a separate common source of supply in the Devonian formation from 9728 to 9758 feet.

(6) There is ample evidence in the record on this case which indicates that the Devonian formation encountered in the above-described well is of high permeability and that the drainage radius of the well will be in excess of 40 acres.

(7) 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 160-acre spacing units should be promulgated for the proposed pool.

(8) The temporary special rules and regulations should also provide for restrictive well locations in order to assure orderly development of the pool and protect correlative rights.

(9) At the request of the applicant, temporary special rules and regulations for 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 show that an 160-acre unit in the area can be efficiently and economically drained and developed by one well.

(10) At the time of the hearing, the applicant requested that the proposed pool be designated the McAlpine-Devonian Pool or in the alternative the North Lucky Lake-Devonian Pool; however, neither name is acceptable at this time.

(11) A new pool classified as an oil pool for Devonian production should be created and designated the North King Camp-Devonian Pool, with vertical limits to include the Devonian formation and the horizontal limits comprising the SE/4 of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico.

(12) This case should be reopened at an examiner hearing in November, 1990, at which time the operators in the subject pool should be prepared to appear and show cause why the North King Camp-Devonian Pool temporary rules promulgated herein should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Santa Fe Exploration Company a new pool in Chaves County, New Mexico, classified as an oil pool for Devonian production, is hereby created and designated the North King Camp-Devonian Pool, with vertical limits comprising the Devonian formation, and the horizontal limits comprising the following described area:

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM
Section 9: SE/4

(2) Temporary Special Rules for said pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
NORTH KING CAMP-DEVONIAN POOL

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

RULE 2: Each well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a governmental quarter-section being a legal subdivision of the United States Public Lands Survey.

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 consisting of less than 160 acres 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 30 days after the Director has received the application.

★ RULE 4: Each well shall be located no nearer than 660 feet to the outer boundary of the proration unit or 330 feet to any governmental quarter-quarter section line or subdivision inner boundary; nor nearer than 1320 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 20 days after the Director has received the application.

RULE 6: The allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 515 barrels per day, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. 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 160 acres.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the North King Camp-Devonian Pool or in the Devonian 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 30 days from the date of this order.

(4) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the North King Camp-Devonian Pool shall have dedicated thereto 160 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 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the North King Camp-Devonian Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1) above, or within one mile thereof, shall receive no more than one-fourth of a standard allowable for said pool.

(5) This case shall be reopened at an examiner hearing in November 1990 at which time the operators in the subject pool may appear and show cause why the North King Camp-Devonian Pool temporary rules promulgated herein should not be rescinded.

(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:

CASE NO. 9617
ORDER NO. R-8917

APPLICATION OF CURRY AND THORNTON
FOR AN UNORTHODOX OIL WELL LOCATION
AND A NON-STANDARD PRORATION UNIT,
CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 1, 1989, at Santa Fe, New Mexico, before Examiner Victor T. Lyon.

NOW, on this 19th day of April, 1989, 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, Curry and Thornton, owns the leasehold on the W/2 of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico and desires to drill a well thereon for a non-standard unit consisting of the E/2 W/2 of said Section 9 at an unorthodox location 1980 feet from the South line and 2475 feet from the West line (Unit K) of said Section 9 in the King Camp-Devonian Pool.

(3) Santa Fe Exploration and Exxon USA appeared at the hearing and opposed the subject application on the basis that the unorthodox location would impair correlative rights; and, if granted, a penalty should be assessed based upon an estimate of pool reserves under each tract.

(4) The discovery well was drilled by Santa Fe Exploration at a standard location 1980 feet from the South and East lines of said Section 9.

(5) Special pool rules for said pool were promulgated by Order No. R-8806 after the hearing held in November, 1988 in Case No. 9529, and provided for 160-acre spacing and proration units consisting of a governmental quarter section with the well to be located not less than 660 feet from the unit boundary, nor less than 330 feet from an inner quarter-quarter section line, nor less than 1320 feet from the nearest well completed in said pool.

(6) Evidence was introduced in Case No. 9529 that there is a fault, down-thrown to the west, which traverses the W/2 of said Section 9 in generally a north-south direction continuing southward across Section 16. Additional evidence was introduced in this case which substantiates the existence of the fault.

(7) Santa Fe Exploration drilled a well east of the fault described above which was dry at a standard location 660 feet from the North line and 1980 feet from the East line of Section 16, one-half mile south of the discovery well. The revised geologic interpretation shows a second fault separating the second well from the first.

(8) Evidence indicates that approximately 60 acres east of the fault in the E/2 W/2 of Section 9 is potentially productive, and the applicant is entitled to drill a well to recover the reserves.

(9) A non-standard proration unit consisting of the E/2 W/2 would permit applicant to drill a single well to recover the oil under his lease, whereas two wells drilled for the NW/4 and SW/4 would be uneconomic, unnecessary and would cause waste from drilling an unnecessary well.

(10) There is inadequate data available to make an estimate of reserves with sufficient precision upon which a penalty could be assessed.

(11) Applicant requests an exception to two of the spacing requirements - the minimum distance from the outer boundary of the proration unit and the minimum distance between wells.

(12) Evidence at the hearing indicated that it is necessary to crowd the east line of the proration unit in order to avoid the fault but that a well could be drilled at the minimum distance from the nearest well.

(13) A penalty (P_1) should be assessed for crowding the east line of the unit in proportion to the distance moved from a standard location toward that line or $495/660 = 0.75$.

(14) A further penalty (P_2) should be assessed for crowding the nearest well in proportion to the distance the well is moved toward the nearest well from the minimum distance permitted, or $495/1320 = 0.375$.

(15) The combined penalties should be cumulative so that the proportion of the top allowable assigned at the proposed location would be $(1-P_1) \times (1-P_2)$, or $.25 \times .625 = .15625$.

(16) The distance moved toward the offsetting lease together with the depth of the well indicates a strong possibility the well may encroach even closer to the Santa Fe Exploration lease or even trespass on that lease, and therefore a continuous directional survey should be run on the well and a copy thereof filed with the Division so that the true location of the well at the productive interval can be determined.

(17) The penalty should be based upon the bottomhole location of the well using the procedure described in Finding Paragraphs (13) through (15), above.

(18) The drilling of the well with appropriate penalty as described above will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected 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 application of Curry and Thornton for an unorthodox oil well location for the North King Camp-Devonian Pool is hereby approved for a well to be located at a point 1980 feet from the South line and 2475 feet from the West line of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico.

(2) The E/2 W/2 of said Section 9 shall be dedicated to the above-described well forming a 160-acre non-standard oil spacing and proration unit for said pool.

(3) A continuous directional survey shall be run on the well and filed with the Division so that the bottomhole location at the producing interval may be determined.

(4) The depth bracket allowable for the well shall be penalized by using the following formula, based on the bottomhole location of the well:

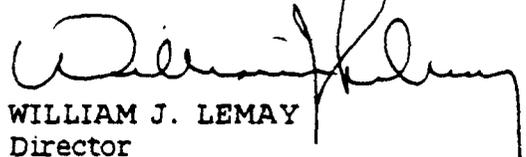
- a. a penalty (P_1) based on the proportion of distance the actual location is moved toward the boundary from the standard location;

- b. a penalty (P_2) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of $(1-P_1) \times (1-P_2)$.

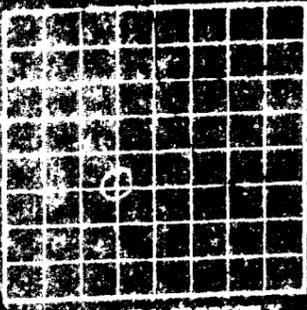
(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



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MAR 21 DEPARTMENT OF THE INTERIOR MAR 22 1917

U. S. GEOLOGICAL SURVEY ARTESIA, NEW MEXICO

U. S. G. O. C. ARTESIA OFFICE

LOG OF OIL OR GAS WELL

Company: ... Address: ... Field: ... State: ...

Location: ... Sec. ... T. ... R. ... Meridian ...

The information given herewith is a complete and correct record of the well and ...

Oil or Gas Sands or Deposits (Describe gas by G)

No. 1, from ... to ... No. 2, from ... to ... No. 3, from ... to ...

IMPORTANT WATER SAMPLES

No. 1, from ... to ... No. 2, from ... to ... No. 3, from ... to ...

CASTING RECORD

Table with columns: Date, Time, Description, etc. for casting record.

MUDDING AND CEMENTING RECORD

Table with columns: Date, Time, Description, etc. for mudding and cementing record.

TESTS AND ANALYSES

Table with columns: Date, Time, Description, etc. for tests and analyses.

DATES

Put to producing ... barrels of fluid of ... Gallons gasoline per ...

EMPLOYEES

Driller: ... Driller: ...

FORMATION RECORD

Large table with columns: Depth, Description, etc. for formation record.

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County	
State	
Section	
Range	
Township	
Latitude	
Longitude	
Operator	

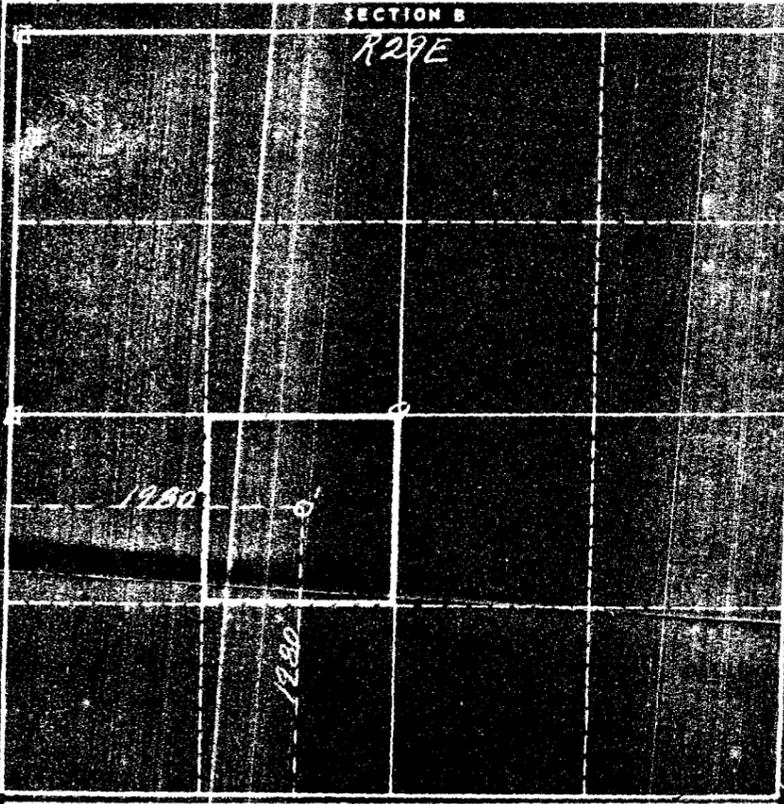
NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT
 SEE INSTRUCTIONS FOR COMPLETING THIS FORM ON THE REVERSE SIDE

FORM C-100
 Revised 2/1/57

SECTION A			
Operator <i>Phillips Petroleum Company</i>	Lease <i>Federal (Warrant)</i>	Well No. <i>1</i>	
Unit Lease <i>1</i>	Section <i>9</i>	Range <i>44S</i>	Township <i>29E</i>
Actual Acreage Location of Well <i>1980</i> feet from the <i>South</i> line and <i>1980</i> feet from the <i>West</i> line			
Ground Level Elev. <i>3718</i>	Drilling Formation <i>Devonian</i>	Pool <i>wildcat</i>	Dedicated Acreage <i>2.6</i>

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below? YES NO ("Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. (85-3-29 (c); NMSA 1955 Comp.)
2. If the answer to question one is "no," have the interests of all the owners been consolidated by some instrument agreement or otherwise? YES NO If answer is "yes," Type of Consolidation _____
3. If the answer to question two is "no," list all the owners and their respective interests below.

Owner	Land Description



CERTIFICATION

I hereby certify that the information in SECTION A above is true and complete to the best of my knowledge and belief.

[Signature]
 Position
 Agent
 Company
Phillips Oil Company
 Date
 October 30, 1961

I hereby certify that the well location shown on this plat in SECTION B was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
October 28th 1961
 Registered Professional Engineer
 and/or Land Surveyor
[Signature]
 Certificate No. *544*

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M. O. C. C. COPY

Budget Bureau No. 42-2284
Approval expires 12-31-51

Form 5-211a
(7-2-1951)
APPROVED
NOV 1 1951

(SUBMIT IN TRIPPLICATE)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Local Office Santa Fe

Case No. NM 0107317

RECEIVED

ACTING DISTRICT **SUNDRY NOTICES AND REPORTS ON WELLS** DISTRICT OFFICE

NOTICE OF INTENTION TO DRILL	<input checked="" type="checkbox"/>	SUBSEQUENT REPORT OF WATER SHUT-OFF	
NOTICE OF INTENTION TO CHANGE PLANS		SUBSEQUENT REPORT OF SIGHTING OR SCUMMING	
NOTICE OF INTENTION TO TEST WATER SHUT-OFF		SUBSEQUENT REPORT OF ALTERING CASING	
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL		SUBSEQUENT REPORT OF RE-DRILLING OR REPAIR	
NOTICE OF INTENTION TO SHOOT OR ACIDIZE		SUBSEQUENT REPORT OF ABANDONMENT	
NOTICE OF INTENTION TO FILL OR ALTER CASING		SUPPLEMENTARY WELL HISTORY	
NOTICE OF INTENTION TO ABANDON WELL			

CLASSIFY ABOVE BY CHECK MARK NATURE OF REPORT. (SEE INSTRUCTIONS)

October 30, 1951

(Honolulu)
Well No. 10001 is located 1980 ft. from S line and 1280 ft. from W line of sec. 9

143 29E 143
(Township) (Range) (Section)

Waialeale Chaves New Mexico
(Twp.) (County or Subdivision) (State or Territory)

The elevation of the derrick floor above sea level is 372 ft.

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NOV. 3 1951

DETAILS OF WORK

Show names of and interval depths to objective sands; show sizes, weights, and lengths of casing and tubing, and all other important proposed work.

We propose to drill to a total depth of approximately 10,000 feet with rotary tools and complete in the Devonian formation. The casing will be as follows:

13-3/8 inch 32.75#, H₂O surface casing to be set @ 320 feet and cemented with 300 sacks cement will be circulated to surface. 8-5/8 inch 26.75#, JSTAC 0-2500; 32#, HSTAC 2500-3700; 32# JSTAC 3700-4000 casing set @ 4000 feet & cemented with 1300 sacks. 5-1/2 inch 15.5 casing set @ 10,000 feet & cemented with 600 sacks.

I understand that this plan of work must receive approval in writing by the Geological Survey before operations may be commenced.

Company Philtex Oil Company

Address Mercantile Bank Building

Dallas, Texas

By Keith L. Smith

Title Agent

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ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

August 28, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Campbell & Black, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

RE: Division Case No. 9670, Order
No. R-8917-A, Application of
Stevens Operating Corporation
to amend Division Order No. R-
8917, Directional Drilling and an
Unorthodox Oil Well Location,
Chaves County, New Mexico.

Dear Mr. Carr:

Upon reviewing the Eastman Christensen "Report of Sub-Surface Directional Survey" for the Stevens Operating Corporation Deemar Federal Well No. 1 located at a surface location 1974 feet from the South line and 1988 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, North King Camp Devonian Pool, Chaves County, New Mexico, the following penalty shall be assessed against the top unit allowable for this well, as promulgated by Decretory Paragraph No. 5 of said Order No. R-8917-A.

At the bottom-most perforated interval of 9642 feet (TVD) the location of the wellbore was found to be 1948 feet from the South line and 2562 feet from the West line (Unit K) of said Section 9 or 78 feet from the East line of the proration unit. Therefore, P_1 equals 660 feet minus 78 feet divided by 660, or:

$$P_1 = 582/660 = 0.882.$$

The closest well to the subject wellbore is the discovery well (referred to in Finding Paragraph No. 4 of R-8917) which is located 1980 feet from the South and East lines (Unit J) of said Section 9 is 739 feet apart. Therefore, P_2 equals 1320 feet minus 739 feet divided by 1320 or:

$$P_2 = 581/1320 = 0.440.$$

Campbell and Black, P.A.
August 28, 1989
Page 2

The top depth bracket allowable for a well in this pool is 515 barrels of oil per day (General Rule 505 (a)). Utilizing the penalty formula as described in said Order No. R-8917-A for this well:

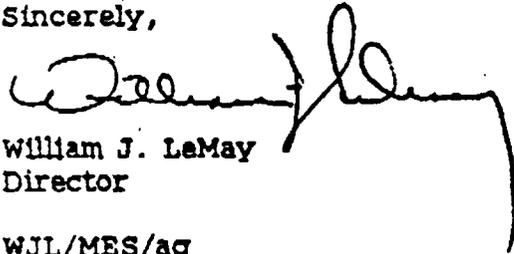
$$(1-P_1) \times (1-P_2) = (1-0.882) \times (1-0.440) = 0.0661 \text{ or } 6.61\%$$

This well shall be assigned a daily oil allowable as follows:

$$(0.0661)(515) = 34.04 \text{ barrels/day.}$$

The effective date for said penalty of this well's production shall be the date of first production.

Sincerely,



William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Artesia
Bob Stovall - Santa Fe
W. Thomas Kellahin - Santa Fe
~~Ernest L. Padilla - Santa Fe~~
Stevens Operating Corp. - Roswell

RECEIVED MAY 22 1989

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. 9670
ORDER NO. R-8917-A

APPLICATION OF STEVENS OPERATING CORPORATION
TO AMEND DIVISION ORDER NO. R-8917,
DIRECTIONAL DRILLING, AND AN UNORTHODOX
OIL WELL LOCATION, CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 10, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 18th day of May, 1989, 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-8917, dated April 19, 1989, the applicant in Case No. 9617, Curry and Thornton, was authorized to drill a well to test the North King Camp-Devonian Pool at an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico. Said Order also approved a 160-acre non-standard oil proration unit comprising the E/2 W/2 of Section 9 to be dedicated to the above-described well.

(3) Said Order No. R-8917 also set forth a penalty to be assessed against the top unit allowable assigned to the well by utilizing the following formula, based on the actual bottomhole location of the wellbore to be determined by a directional survey of the completed well:

- a. a penalty (P_1) based on the proportion of distance the actual location is moved toward the boundary from the standard location;

- b. a penalty (P_2) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of $(1-P_1) \times (1-P_2)$.

(4) The applicant in the immediate case, Stevens Operating Corporation, which has replaced Curry and Thornton as operator of the E/2 W/2 of said Section 9, now seeks to amend said Division Order No. R-8917, and in lieu of drilling a new well at the previously authorized unorthodox oil well location, be permitted to re-enter the plugged and abandoned Philtex Oil Company Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of said Section 9, wherein the applicant proposes to deviate said well so as to penetrate the North King-Camp Devonian Pool at an unorthodox bottomhole oil well location within 500 feet west of a point 1980 feet from the South line and 2475 feet from the West line of said Section 9.

(5) The subject well in this matter was spudded on November 3, 1961 and was drilled to a total depth of 9894 feet where it tested dry in the Devonian formation and was subsequently plugged and abandoned.

(6) The applicant proposes to re-enter said well and drill out the existing cement plugs to a depth of approximately 7474 feet, kick-off at this point due east, build angle to 15 degrees and hold to a measured depth of approximately 8913 feet, at which point the angle will be allowed to drop and return to vertical to a measured depth of approximately 9450 feet, whereby the hole will be allowed to build angle back and drift to the west bottoming at a true vertical depth of approximately 9710 feet in the Devonian formation approximately 330 feet west of the well's surface location.

(7) Should said well be a producer, it is the intent of this application that all survey and penalty provisions in the original Order No. R-8917 be fully applicable with respect to this well.

(8) Santa Fe Exploration Company, the offset operator to the east of the non-standard unit, appeared at the hearing and objected to the existing method of assessing a penalty on production from this well and proposed that the top unit allowable for this well, regardless of its location within the proposed target area, be set at a flat rate of 80 barrels of oil per day.

(9) the existence of a fault, downthrown to the west, which traverses the W/2 of said Section 9 in a north-south direction, resulting in only a small portion of the extreme east side of the E/2 W/2 of said Section 9 being potentially productive, as described in Case No. 9617 and further in this matter, makes it necessary for the applicant to crowd the east line of the unit to adequately drain those reserves underlying the unit. By utilizing an existing wellbore to directionally drill into the subject reservoir, the cost of developing this acreage

Case No. 9670
Order No. R-8917-A
Page No. 3

should be reduced; therefore approval of the subject application utilizing the penalty formula as outlined in said Order No. R-8917 and Finding Paragraph (3) above, will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk from drilling an excessive number of wells and will otherwise prevent waste and will serve to protect correlative rights in this situation.

(10) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct a multi-shot directional survey during or upon completion of drilling operations from the kick-off point to total depth.

(11) The applicant should be required to notify the supervisor of the Artesia district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant should further be required to provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

(12) The penalty should however be based on that portion of the total completion interval closest to the eastern boundary of the unit rather than the bottomhole location as provided for in Order No. R-8917 and in Finding Paragraph No. (3), above.

(13) Upon the successful directional drilling and completion of the subject well, said Division Order No. R-8917 should be placed in abeyance.

(14) However, if in the event re-entry into the Honolulu Federal Well No. 1 is unsuccessful, said Division Order No. R-8917 should remain in full force and effect and any other order resulting in the immediate case should become void and of no further effect.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Stevens Operating Corporation, is hereby authorized to re-enter the plugged and abandoned Philtex Oil Company Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico, and directionally drill, in the manner described in Finding Paragraph No. (6) of this order, so as to penetrate the North King Camp-Devonian Pool within 500 feet west of an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line of said Section 9.

PROVIDED HOWEVER THAT, prior to commencing directional drilling operations into said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

Case No. 9670
Order No. R-8917-A
Page No. 4

PROVIDED FURTHER THAT, during or upon completion of directional drilling operations, the applicant shall conduct a multi-shot directional survey from the kick-off point to total depth in order that the subsurface bottomhole location may be determined.

(2) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

(3) the E/2 W/2 of Section 9 shall be dedicated to the above-described well forming a previously authorized (R-8917) 160-acre non-standard oil spacing and proration unit for said pool.

(4) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(5) The depth bracket allowable for the well shall be penalized by using the following formula, based on that portion of the total completion interval which is closest to the eastern boundary of the unit.

- a. a penalty (P_1) based on the proportion of distance the actual location is moved toward the boundary from the standard location;
- b. a penalty (P_2) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of $(1-P_1) \times (1-P_2)$.

(6) Upon the successful directional drilling and completion of the subject well, Division Order No. R-8917, issued in Case No. 9617 and dated April 19, 1989, shall be placed in abeyance until further notice.

IT IS FURTHER ORDERED, HOWEVER, THAT:

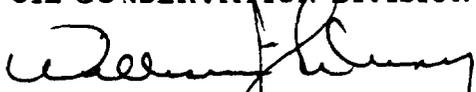
(7) If in the event re-entry into the Honolulu Federal Well No. 1 is unsuccessful, said Division Order No. R-8917 shall remain in full force and effect and, at that time, the order in the immediate case (R-8917-A) shall become void and of no further effect.

(8) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 9670
Order No. R-8917-A
Page No. 5

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:

CASE NO. 9617
ORDER NO. R-8917

APPLICATION OF CURRY AND THORNTON
FOR AN UNORTHODOX OIL WELL LOCATION
AND A NON-STANDARD PRORATION UNIT,
CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 1, 1989, at Santa Fe, New Mexico, before Examiner Victor T. Lyon.

NOW, on this 19th day of April, 1989, 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, Curry and Thornton, owns the leasehold on the W/2 of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico and desires to drill a well thereon for a non-standard unit consisting of the E/2 W/2 of said Section 9 at an unorthodox location 1980 feet from the South line and 2475 feet from the West line (Unit K) of said Section 9 in the King Camp-Devonian Pool.
- (3) Santa Fe Exploration and Exxon USA appeared at the hearing and opposed the subject application on the basis that the unorthodox location would impair correlative rights; and, if granted, a penalty should be assessed based upon an estimate of pool reserves under each tract.
- (4) The discovery well was drilled by Santa Fe Exploration at a standard location 1980 feet from the South and East lines of said Section 9.

11/89

(5) Special pool rules for said pool were promulgated by Order No. R-8806 after the hearing held in November, 1988 in Case No. 9529, and provided for 160-acre spacing and proration units consisting of a governmental quarter section with the well to be located not less than 660 feet from the unit boundary, nor less than 330 feet from an inner quarter-quarter section line, nor less than 1320 feet from the nearest well completed in said pool.

(6) Evidence was introduced in Case No. 9529 that there is a fault, down-thrown to the west, which traverses the W/2 of said Section 9 in generally a north-south direction continuing southward across Section 16. Additional evidence was introduced in this case which substantiates the existence of the fault.

(7) Santa Fe Exploration drilled a well east of the fault described above which was dry at a standard location 660 feet from the North line and 1980 feet from the East line of Section 16, one-half mile south of the discovery well. The revised geologic interpretation shows a second fault separating the second well from the first.

(8) Evidence indicates that approximately 60 acres east of the fault in the E/2 W/2 of Section 9 is potentially productive, and the applicant is entitled to drill a well to recover the reserves.

(9) A non-standard proration unit consisting of the E/2 W/2 would permit applicant to drill a single well to recover the oil under his lease, whereas two wells drilled for the NW/4 and SW/4 would be uneconomic, unnecessary and would cause waste from drilling an unnecessary well.

* (10) There is inadequate data available to make an estimate of reserves with sufficient precision upon which a penalty could be assessed.

(11) Applicant requests an exception to two of the spacing requirements - the minimum distance from the outer boundary of the proration unit and the minimum distance between wells.

(12) Evidence at the hearing indicated that it is necessary to crowd the east line of the proration unit in order to avoid the fault but that a well could be drilled at the minimum distance from the nearest well.

(13) A penalty (P_1) should be assessed for crowding the east line of the unit in proportion to the distance moved from a standard location toward that line or $495/660 = 0.75$.

(14) A further penalty (P_2) should be assessed for crowding the nearest well in proportion to the distance the well is moved toward the nearest well from the minimum distance permitted, or $495/1320 = 0.375$.

Case No. 9617
Order No. R-8917
Page No. 3

(15) The combined penalties should be cumulative so that the proportion of the top allowable assigned at the proposed location would be $(1-P_1) \times (1-P_2)$, or $.25 \times .625 = .15625$.

(16) The distance moved toward the offsetting lease together with the depth of the well indicates a strong possibility the well may encroach even closer to the Santa Fe Exploration lease or even trespass on that lease, and therefore a continuous directional survey should be run on the well and a copy thereof filed with the Division so that the true location of the well at the productive interval can be determined.

(17) The penalty should be based upon the bottomhole location of the well using the procedure described in Finding Paragraphs (13) through (15), above.

(18) The drilling of the well with appropriate penalty as described above will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected 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 application of Curry and Thornton for an unorthodox oil well location for the North King Camp-Devonian Pool is hereby approved for a well to be located at a point 1980 feet from the South line and 2475 feet from the West line of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico.

(2) The E/2 W/2 of said Section 9 shall be dedicated to the above-described well forming a 160-acre non-standard oil spacing and proration unit for said pool.

(3) A continuous directional survey shall be run on the well and filed with the Division so that the bottomhole location at the producing interval may be determined.

(4) The depth bracket allowable for the well shall be penalized by using the following formula, based on the bottomhole location of the well:

- a. a penalty (P_1) based on the proportion of distance the actual location is moved toward the boundary from the standard location;

Case No. 9617
Order No. R-8917
Page No. 4

- b. a penalty (P_2) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of $(1-P_1) \times (1-P_2)$.

(5) 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

RECEIVED

JUN 2 1989

IN THE MATTER OF APPLICATION OF
STEVENS OPERATING CORPORATION
TO AMEND DIVISION ORDER NO. R-8917,
DIRECTIONAL DRILLING, AND AN
UNORTHODOX OIL WELL LOCATION,
CHAVES COUNTY, NEW MEXICO

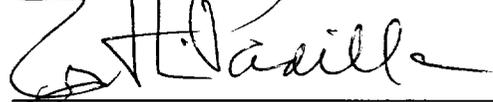
OIL CONSERVATION DIVISION

CASE NO. 9670
ORDER NO. R-8917-A

APPLICATION FOR DE NOVO HEARING

COMES NOW SANTA FE EXPLORATION COMPANY, by and through its attorneys, Padilla & Snyder, and states that it is an interested party of record adversely affected by Order R-8917-A entered by the Division on May 18, 1989, and pursuant to Section 70-2-13 N.M.S.A., 1978, files this Application for a DeNovo hearing before the New Mexico Oil Conservation Commission.

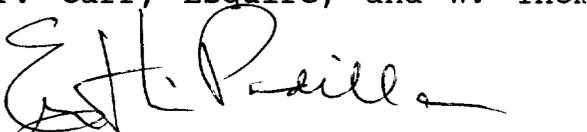
PADILLA & SNYDER



Ernest L. Padilla
Post Office Box 2423
Santa Fe, New Mexico 87504-2523
(505) 988-7577

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on June 2, 1989, he caused a true and correct copy of this Application to be hand-delivered to William F. Carr, Esquire, and W. Thomas Kellahin, Esquire.



Ernest L. Padilla

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

JUN 2 1989

IN THE MATTER OF THE APPLICATION OF
CURRY AND THORNTON FOR AN UNORTHODOX
OIL WELL LOCATION AND NON-STANDARD
PRORATION UNIT, CHAVES COUNTY,
NEW MEXICO

OIL CONSERVATION DIVISION

CASE 9617
ORDER R-8917

IN THE MATTER OF THE APPLICATION OF
STEVENS OPERATING CORPORATION TO
AMEND DIVISION ORDER R-8917,
DIRECTIONAL DRILLING, AND AN
UNORTHODOX OIL WELL LOCATION,
CHAVES COUNTY, NEW MEXICO

CASE 9670
ORDER R-8917-A

MOTION FOR STAY OF ORDERS R-8917 AND R-8917-A

SANTA FE EXPLORATION COMPANY, by its attorneys, moves the Division to Stay Division Orders R-8917 and R-8917-A issued by the Division on April 19, 1989 and May 18, 1989, respectively. In support of this Motion Santa Fe Exploration Company states:

1. It has requested de novo hearings before the Oil Conservation Commission in both of the above-captioned matters.

2. Upon information and belief Curry and Thornton and/or Stevens Operating Company, have not commenced drilling activities pursuant to the Orders.

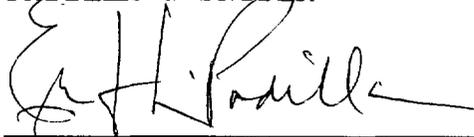
3. The factual issues and the Orders issued by the Division are unique and extraordinary, resulting in a radical departure from normal spacing patterns for development of oil and gas pools in the State of New Mexico.

Further review by the Oil Conservation Commission is necessary.

4. By separate application, Santa Fe Exploration Company has applied to the Division for reduction of the top pool allowable in the North King Camp Devonian Oil Pool on the basis that production from the pool on a depth bracket allowable is not in the best interests of conservation of oil and gas.

Respectfully submitted,

PADILLA & SNYDER



Ernest L. Padilla, Esq.
Attorneys for Santa Fe
Exploration Company
Post Office Box 2423
Santa Fe, New Mexico 87504
(505) 988-7577

Certificate of Service

The undersigned hereby certifies that on June 2, 1989, he caused a true and correct copy of this Motion to be hand-delivered to William F. Carr, Esquire, and W. Thomas Kellahin Esquire.



Ernest L. Padilla

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
WILLIAM P. SLATTERY
MARTE D. LIGHTSTONE
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

June 6, 1989

RECEIVED

JUN 6 1989

OIL CONSERVATION DIVISION

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: Motion for Stay of Orders R-8917 and 8917-A

Dear Mr. LeMay:

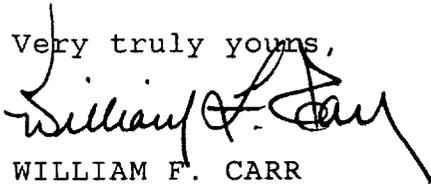
Enclosed is the response of Curry and Thornton and Stevens Operating Corporation to the Motion for Stay of Orders R-8917 and 8717-A which was filed by Ernest L. Padilla on behalf of Santa Fe Exploration Company.

As you will note, Stevens Operating Corporation is currently drilling a well pursuant to the provision of Order R-8917-A and the information obtained from such drilling will not only be relevant but will be essential to a full presentation on the questions involved in these hearings. In view of the fact that Mr. Padilla states in his transmittal letter of June 2, 1989 that Santa Fe Exploration Company does not oppose Stevens' application for directional drilling, we submit that any stay of the Order which approves such drilling would be inappropriate.

I have discussed this matter with Mr. Padilla and we concur that it would be prudent to delay the de novo hearing in Case 9617 (R-8917) until July, 1989.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosure

cc w/enclosures: Mr. Don Stevens
Mr. Robert Thornton
Ernest L. Padilla, Esq.
W. Thomas Kellahin, Esq.

STATE OF NEW MEXICO

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF CURRY AND THORNTON FOR AN
UNORTHODOX OIL WELL LOCATION
AND NON-STANDARD PRORATION UNIT,
CHAVES COUNTY, NEW MEXICO.

CASE NO. 9617
ORDER NO. R-8917

JUN 6 1989

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF STEVENS OPERATING CORPORATION TO
AMEND DIVISION ORDER R-8917,
DIRECTIONAL DRILLING, AND AN
UNORTHODOX OIL WELL LOCATION,
CHAVES COUNTY, NEW MEXICO.

CASE NO. 9670
ORDER NO. R-8917-A

**RESPONSE TO MOTION FOR STAY OF
ORDERS R-8917 and R-8917-A**

CURRY AND THORNTON and STEVENS OPERATING CORPORATION, for their response to the Motion of Santa Fe Exploration Company for a Stay of Division Orders R-8917 and R-8917-A state:

1. Order R-8917 was entered by the Division on April 19, 1989 granting the application of Curry and Thornton for an unorthodox oil well location and a non-standard proration unit, Chaves County, New Mexico and imposing a penalty on production from said well.

2. Order R-8917-A was entered by the Division on May 18, 1989 granting the application of Stevens Operating Corporation to reenter an existing well on the non-standard proration unit approved by Order R-8917 and to directionally drill said well to a point within 500 feet west of the unorthodox location previously

approved by Order R-8917. Other provisions of Order R-8917 remain essentially unchanged.

3. Santa Fe Exploration Company opposed both applications and, although it has filed for hearing de novo in each case, has stated it "... has not been opposed to the directional drilling portion of Stevens Operating Corporation's application... ." (Letter of Ernest L. Padilla to William J. LeMay dated June 2, 1989).

4. Stevens Operating Corporation has commenced drilling as authorized by Order R-8917-A.

5. Although the de novo hearing in Case 9617 (Order R-8917) has been scheduled for June 15, 1989, the de novo hearing in Case 9670 (Order R-8917-A) cannot be advertised and heard by the Commission until the July Commission hearings.

6. Santa Fe Exploration Company has filed an application to reduce the top pool allowable for the subject North King Camp-Devonian Pool.

7. To avoid unnecessary hearings all cases affecting development of the North King Camp-Devonian Pool should be set for hearing before the full Commission in July, 1989.

8. The directional drilling by Stevens Operating Corporation of the well on the SW/4 of Section 9, Township 14 South, Range 29 East, will take at least three additional weeks.

9. Data acquired from the Stevens Operating Corporation directional drilling in the SW/4 of said Section 29 will result in

the acquisition of relevant and necessary evidence for Stevens presentation of its case to the Oil Conservation Commission.

10. Production by the Stevens Operating Corporation well in the SW/4 of said Section 9 will not be of sufficient volume to impair the correlative rights of offsetting owners prior to the July Commission hearing date and could not, therefore prejudice any party affected by either Order R-8917 or Order R-8917-A.

11. The motion to stay Orders R-8917 and R-8917-A is nothing more than a stalling tactic by Santa Fe Exploration Company, will only delay development of reserves in the W/2 of Section 9 and will result in additional drainage from the W/2 of Section 9 by Santa Fe Exploration Company thereby impairing the correlative rights of the interest owners in the W/2 of said Section 9.

12. If the stay sought by Santa Fe Exploration Company is granted the only way the Division could assure that no party would be prejudiced or have its correlative rights impaired by such a stay would be to also order an immediate shut-in of the Santa Fe Exploration Company Holstrom Federal #1 Well located in the SE/4 of Section 9, the only well currently producing from the pool. Such shut-in of the Holstrom Federal #1 Well should continue pending resolution of the issues presented by the now pending applications of Santa Fe Exploration Company, Curry & Thornton, and Stevens Operating Corporation.

WHEREFORE, Stevens Operating Corporation prays that the Division deny the Motion for Stay of Division Orders R-8917 and 8917-A and further requests that all applications relating to the

development of the North King Camp-Devonian Pool be continued and consolidated for hearing before the full Oil Conservation Commission at its July 1989 Commission hearing.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

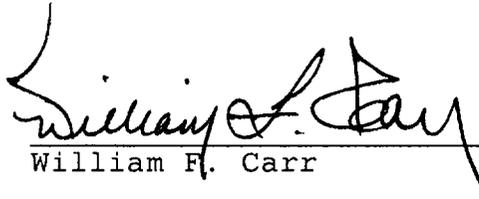
By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CURRY AND THORNTON
and STEVENS OPERATING
CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that I have caused to be hand-delivered a true and correct copy of our Response to Motion for Stay of Orders R-8917 and R-8917-A to Ernest L. Padilla, Esq., 200 W. Marcy Street, Santa Fe, New Mexico 87501 and W. Thomas Kellahin, Esq., 117 N. Guadalupe Street, Santa Fe, New Mexico 87501 on this 6th day of June, 1989.



William F. Carr

Form 7-311a
(Feb. 1951)



(SUBMIT IN TRIPLICATE)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Land Office
Lease No.
Unit

RECEIVED

JAN 2 1953

ARIZONA OFFICE

SUNDRY NOTICES AND REPORTS ON WELLS

NOTICE OF INTENTION TO DRILL	SUBSEQUENT REPORT OF WATER SHUT-OFF
NOTICE OF INTENTION TO CHANGE PLANS	SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING
NOTICE OF INTENTION TO TEST WATER SHUT-OFF	SUBSEQUENT REPORT OF ALTERING CASING
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL	SUBSEQUENT REPORT OF RE-DRILLING OR REPAIR
NOTICE OF INTENTION TO SHOOT OR ACIDIZE	SUBSEQUENT REPORT OF ABANDONMENT
NOTICE OF INTENTION TO PULL OR ALTER CASING	SUPPLEMENTARY WELL HISTORY
NOTICE OF INTENTION TO ABANDON WELL	

(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

Well No. _____ is located _____ ft. from $\begin{matrix} N \\ S \end{matrix}$ line and _____ ft. from $\begin{matrix} E \\ W \end{matrix}$ line of sec. _____

_____ (1/4 Sec. and Sec. No.) _____ (Twp.) _____ (Range) _____ (Meridian)

_____ (Field) _____ (County or Subdivision) _____ (State or Territory)

The elevation of the derrick floor above sea level is 3827 ft.

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

We spotted 25 bags cement plugs using 4 1/2 Liburton pump trucks at the following depths: 2354 - 2791, 7784 - 7801, 5720 - 5837, 4050 - 3950, and cemented 4" marker with operators name, well name, footage lines, and legal description. We used 2 1/2 bags of 125 bag cement with heavy mud between plugs. did not pull 5 5/8" pipe as it was cemented to surface.

RECEIVED

JAN 3 1953

I understand that this plan of work must receive approval in writing by the Geological Survey before operations may be commenced.

Company _____

Address _____

By _____

ILLEGIBLE

100-42040

DATE 04/07/89,CLOCK 14/32/05

```

// JOB 0CSW0PER TEST STAT WELLS LIST FOR OPERATOR NAME CHANGE
// SYEP Y SCAN STAT WELLS FILES FOR SELECTED OPERATORS)
// ASSGN SYS022,SYSLST
// IT201 SYS022,HA,S,BEEN ASSIGNED TO X'FEE' (TEMP)
// DLBL IJSYSCT,,VSAM,MASTER.CATALOG,,VSAM
// DLBL IJSYSUI,,USER,VSAM.CATALOG.ONE,,VSAM,CAT=IJSYSCT
// DLBL SYS008,,TAPE,FILE,
// EXTENT SYS008,WIMFDA,1,0,1,5000
// DLBL SYS026,,OCDD,STAT,WELL,SE,,VSAM,CAT=IJSYSUI
// DLBL SYS015,,OCDD,STAT,WELL,NW,,VSAM,CAT=IJSYSUI
// EXEC STAT1289,SIZE=64K

```

WELL-COUNTER 46164
RECORDS-WRITTEN 00004

160 ACRE OIL
- TEMP. RULES -

COUNTY CHAVES POOL NORTH KING CAMP - DEVONIAN

TOWNSHIP 14 SOUTH RANGE 29 EAST NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

DESCRIPTION: SE 1/4 SEC 9 (R-8806, 11-22-88)

SECTION

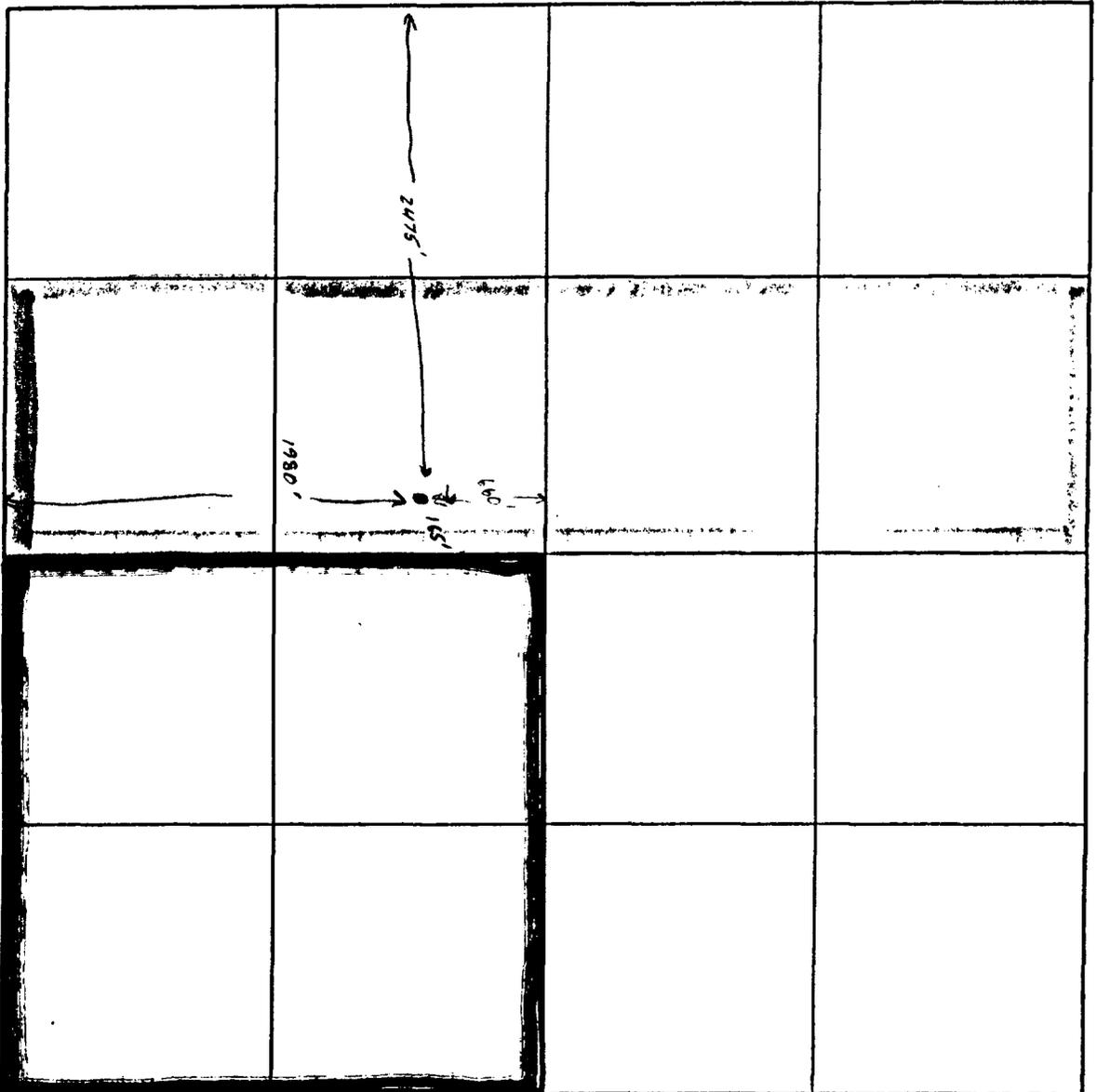
9

TOWNSHIP

141 South

RANGE

29 East



North King
Camp Division
← Red Boundary

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
WILLIAM P. SLATTERY
MARTE D. LIGHTSTONE
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 18, 1989

RECEIVED

APR 18 1989

HAND-DELIVERED

OIL CONSERVATION DIVISION

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

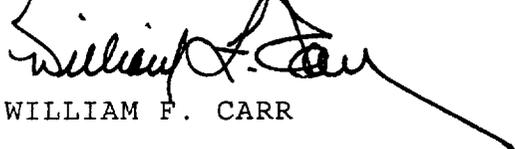
Case 9670

Re: In the Matter of the Application of Stevens Operating Corporation for Directional Drilling, Chaves County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the above-referenced application of Stevens Operating Corporation. Stevens respectfully requests that this matter be placed on the docket for the Examiner hearings scheduled on May 10, 1989.

Very truly yours,


WILLIAM F. CARR

WFC:mlh
Enclosures

RECEIVED

APR 18 1989

OIL CONSERVATION DIVISION

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF STEVENS OPERATING CORPORATION
FOR DIRECTIONAL DRILLING,
CHAVES COUNTY, NEW MEXICO.

CASE NO. 9670

APPLICATION

COMES NOW STEVENS OPERATING CORPORATION, by and through its undersigned attorneys, hereby makes application pursuant to Oil Conservation Division Rule 111 for an Order authorizing the directional drilling of its Deemar Federal No. 1 Well and in support thereof states:

1. Applicant is the operator of a proposed non-standard oil proration unit in the North King Camp-Devonian Pool (previously operated by Curry and Thornton) comprised of the E/2 W/2 of Section 9, Township 14 South, Range 29 East, N.M.P.M., Chaves County, New Mexico which was the subject of Oil Conservation Division Case No. 9617 which was heard by a Division hearing examiner on March 1, 1989.

2. Applicant is also seeking approval of a an unorthodox oil well location in the E/2 W/2 of Section 9 at a point 1980 feet from the South line and 2475 feet from the West line of said Section 9.

3. Applicant previously drilled its Philtex No. 1 Honolulu Federal Well at a surface location 1980 feet from the South and West lines of said Section 9 which well was not capable of

commercial production from the Devonian formation, North King Camp-Devonian Pool.

4. Applicant proposes to reenter its Philtex No. 1 Honolulu Federal Well and directionally drill this well to a depth of approximately 9894 feet with a bottom hole location within ~~400~~⁵⁰⁰ feet West of a point 1980 feet from the South line and 2475 feet from the West line, N.M.P.M., North King Camp-Devonian Pool, Chaves County, New Mexico, but no closer to the offsetting tracts than permitted by the Division order which will result from Case No. 9617. The well will be renamed the Deemar Federal No. 1. In directionally drilling this well, applicant will fully comply with all provisions of the Division order resulting from Case 9617.

5. The non-standard oil proration unit comprised of the E/2 W/2 which is the subject of Case No. 9617 will be dedicated to this well.

6. The directional drilling of this well will reduce the cost of developing this acreage and thereby will enable applicant to produce the reserves which underlie this non-standard oil proration unit in the most efficient and economical manner.

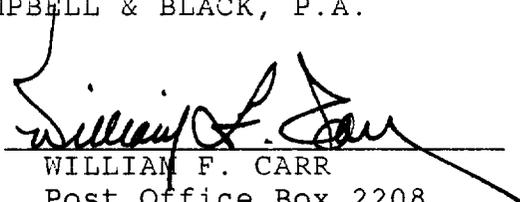
7. Approval of this Application will enable the applicant to produce hydrocarbons that otherwise will not be recovered and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on May 10, 1989, that notice be given as required by law

and the rules of the Division, and that the Division enter its order granting the applicant permission to reenter its Philtex No. 1 Honolulu Federal Well (to be named the Deemar Federal No. 1) and directionally drill it to a bottom hole location within ⁵⁰⁰~~400~~ feet West of a point 1980 feet from the South line and 2475 feet from the West line, but, in no event closer to the offsetting tracts in the North King Camp-Devonian Pool than permitted by the Division order resulting from Case 9617, and granting such other relief as is appropriate.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR STEVENS OPERATING
CORPORATION

EXHIBIT A

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Chevron, USA Inc.
Post Office Box 1150
Midland, Texas 79702

Santa Fe Exploration
Post Office Box 1136
Roswell, New Mexico 88201

RECEIVED

APR 18 1989

BEFORE THE

OIL CONSERVATION DIVISION

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF STEVENS OPERATING CORPORATION
FOR DIRECTIONAL DRILLING,
CHAVES COUNTY, NEW MEXICO.

CASE NO. 9670

APPLICATION

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1. Applicant is the operator of a proposed non-standard oil proration unit in the North King Camp-Devonian Pool (previously operated by Curry and Thornton) comprised of the E/2 W/2 of Section 9, Township 14 South, Range 29 East, N.M.P.M., Chaves County, New Mexico which was the subject of Oil Conservation Division Case No. 9617 which was heard by a Division hearing examiner on March 1, 1989.

2. Applicant is also seeking approval of a an unorthodox oil well location in the E/2 W/2 of Section 9 at a point 1980 feet from the South line and 2475 feet from the West line of said Section 9.

3. Applicant previously drilled its Philtex No. 1 Honolulu Federal Well at a surface location 1980 feet from the South and West lines of said Section 9 which well was not capable of

commercial production from the Devonian formation, North King Camp-Devonian Pool.

4. Applicant proposes to reenter its Philtex No. 1 Honolulu Federal Well and directionally drill this well to a depth of approximately 9894 feet with a bottom hole location within 100 feet West of a point 1980 feet from the South line and 2475 feet from the West line, N.M.P.M., North King Camp-Devonian Pool, Chaves County, New Mexico, but no closer to the offsetting tracts than permitted by the Division order which will result from Case No. 9617. The well will be renamed the Deemar Federal No. 1. In directionally drilling this well, applicant will fully comply with all provisions of the Division order resulting from Case 9617.

5. The non-standard oil proration unit comprised of the E/2 W/2 which is the subject of Case No. 9617 will be dedicated to this well.

6. The directional drilling of this well will reduce the cost of developing this acreage and thereby will enable applicant to produce the reserves which underlie this non-standard oil proration unit in the most efficient and economical manner.

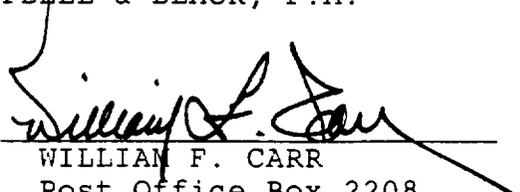
7. Approval of this Application will enable the applicant to produce hydrocarbons that otherwise will not be recovered and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on May 10, 1989, that notice be given as required by law

and the rules of the Division, and that the Division enter its order granting the applicant permission to reenter its Philtex No. 1 Honolulu Federal Well (to be named the Deemar Federal No. 1) and directionally drill it to a bottom hole location within 100 feet West of a point 1980 feet from the South line and 2475 feet from the West line, but, in no event closer to the offsetting tracts in the North King Camp-Devonian Pool than permitted by the Division order resulting from Case 9617, and granting such other relief as is appropriate.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR STEVENS OPERATING
CORPORATION

EXHIBIT A

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Chevron, USA Inc.
Post Office Box 1150
Midland, Texas 79702

Santa Fe Exploration
Post Office Box 1136
Roswell, New Mexico 88201

RECEIVED

BEFORE THE

APR 1

OIL CONSERVATION DIVISION

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF STEVENS OPERATING CORPORATION
FOR DIRECTIONAL DRILLING,
CHAVES COUNTY, NEW MEXICO.

CASE NO. 9670

APPLICATION

COMES NOW STEVENS OPERATING CORPORATION, by and through its undersigned attorneys, hereby makes application pursuant to Oil Conservation Division Rule 111 for an Order authorizing the directional drilling of its Deemar Federal No. 1 Well and in support thereof states:

1. Applicant is the operator of a proposed non-standard oil proration unit in the North King Camp-Devonian Pool (previously operated by Curry and Thornton) comprised of the E/2 W/2 of Section 9, Township 14 South, Range 29 East, N.M.P.M., Chaves County, New Mexico which was the subject of Oil Conservation Division Case No. 9617 which was heard by a Division hearing examiner on March 1, 1989.

2. Applicant is also seeking approval of a an unorthodox oil well location in the E/2 W/2 of Section 9 at a point 1980 feet from the South line and 2475 feet from the West line of said Section 9.

3. Applicant previously drilled its Philtex No. 1 Honolulu Federal Well at a surface location 1980 feet from the South and West lines of said Section 9 which well was not capable of

commercial production from the Devonian formation, North King Camp-Devonian Pool.

4. Applicant proposes to reenter its Philtex No. 1 Honolulu Federal Well and directionally drill this well to a depth of approximately 9894 feet with a bottom hole location within 100 feet West of a point 1980 feet from the South line and 2475 feet from the West line, N.M.P.M., North King Camp-Devonian Pool, Chaves County, New Mexico, but no closer to the offsetting tracts than permitted by the Division order which will result from Case No. 9617. The well will be renamed the Deemar Federal No. 1. In directionally drilling this well, applicant will fully comply with all provisions of the Division order resulting from Case 9617.

5. The non-standard oil proration unit comprised of the E/2 W/2 which is the subject of Case No. 9617 will be dedicated to this well.

6. The directional drilling of this well will reduce the cost of developing this acreage and thereby will enable applicant to produce the reserves which underlie this non-standard oil proration unit in the most efficient and economical manner.

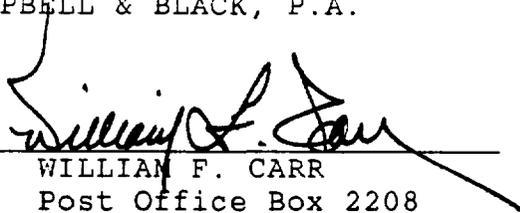
7. Approval of this Application will enable the applicant to produce hydrocarbons that otherwise will not be recovered and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on May 10, 1989, that notice be given as required by law

and the rules of the Division, and that the Division enter its order granting the applicant permission to reenter its Philtex No. 1 Honolulu Federal Well (to be named the Deemar Federal No. 1) and directionally drill it to a bottom hole location within 100 feet West of a point 1980 feet from the South line and 2475 feet from the West line, but, in no event closer to the offsetting tracts in the North King Camp-Devonian Pool than permitted by the Division order resulting from Case 9617, and granting such other relief as is appropriate.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR STEVENS OPERATING
CORPORATION

EXHIBIT A

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Chevron, USA Inc.
Post Office Box 1150
Midland, Texas 79702

Santa Fe Exploration
Post Office Box 1136
Roswell, New Mexico 88201

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

May 18, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. William F. Carr
Campbell & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 9670
ORDER NO. R-3917-A

Applicant:

Stevens Operating Corporation

Dear Sir:

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

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other ErnewtLL. Padilla, Thomas Kellahin

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
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POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

September 1, 1989

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

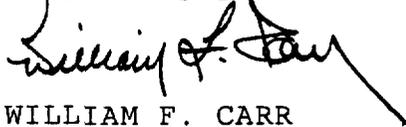
RECEIVED
SEP 1 1989
OIL CONSERVATION DIVISION

Re: Oil Conservation Division Case No. 9670 (De Novo)
In the Matter of the Application of Stevens Operating
Corporation to Amend Division Order No. R-8917, for
Directional Drilling and an Unorthodox Oil Well Location,
Chaves County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Amended Application of Stevens
Operating Corporation in the above-referenced case which has been
placed on the docket for the Commission hearing scheduled for
September 21, 1989.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enc.: Don Stevens
W. Thomas Kellahin, Esq.
Ernest L. Padilla, Esq.

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF STEVENS OPERATING CORPORATION
TO AMEND DIVISION ORDER NO. R-8917,
FOR DIRECTIONAL DRILLING, AND AN
UNORTHODOX OIL WELL LOCATION,
CHAVES COUNTY, NEW MEXICO.

RECEIVED
SEP 1 1989
OIL CONSERVATION DIVISION
CASE NO. 9670 (DE NOVO)

A M E N D E D
APPLICATION

COMES NOW STEVENS OPERATING CORPORATION, by and through its undersigned attorneys, hereby makes application pursuant to Oil Conservation Division Rule 111 for an Order authorizing the directional drilling of its Demar Federal No. 1 Well and in support thereof states:

1. Applicant is the operator of a proposed non-standard oil proration unit in the North King Camp-Devonian Pool (previously operated by Curry and Thornton) comprised of the E/2 W/2 of Section 9, Township 14 South, Range 29 East, N.M.P.M., Chaves County, New Mexico which was the subject of Oil Conservation Division Case No. 9617 which was heard by a Division hearing examiner on March 1, 1989.

2. Applicant is also seeking approval of a an unorthodox oil well location in the E/2 W/2 of Section 9 at a point 1947 feet from the South line and 2562 feet from the West line of said Section 9.

3. Applicant previously drilled its Philtex No. 1 Honolulu Federal Well at a surface location 1980 feet from the South and West lines of said Section 9 which well was not capable of commercial production from the Devonian formation, North King Camp-Devonian Pool.

4. Applicant seeks authority for the reentry of the Philtex No. 1 Honolulu Federal Well and the directional drilling of this well to a bottom hole location at a point 1947 feet from the South line and 2562 feet from the West line, N.M.P.M., North King Camp-Devonian Pool, Chaves County, New Mexico.

5. The non-standard oil proration unit comprised of the E/2 W/2 of Section 9 which is the subject of Case No. 9617 is dedicated to this well.

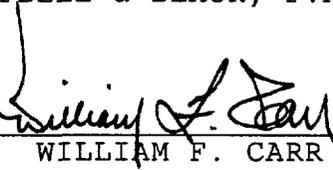
6. The directional drilling of this well will reduce the cost of developing this acreage and thereby will enable applicant to produce the reserves under this non-standard oil proration unit in the most efficient and economical manner.

7. Approval of this Application will enable the applicant to produce hydrocarbons that otherwise will not be recovered and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before the Oil Conservation Commission on September 21, 1989, that notice be given as required by law and the rules of the Division, and that the Division enter its order approving the reentry of its Philtex No. 1 Honolulu Federal Well (to be named the

Demar Federal No. 1) the directional drilling of this well to a bottom hole location at a point 1947 feet from the South line and 2562 feet from the West line, the dedication to this well of a non-standard oil proration unit comprised of the E/2 W/2 of Section 9, and granting such other relief as is appropriate.

Respectfully submitted,
CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR STEVENS OPERATING
CORPORATION

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF STEVENS OPERATING CORPORATION
TO AMEND DIVISION ORDER NO. R-8917,
FOR DIRECTIONAL DRILLING, AND AN
UNORTHODOX OIL WELL LOCATION,
CHAVES COUNTY, NEW MEXICO.

CASE NO. 9670 (DE NOVO)

RECEIVED
SEP 17
OIL CONSERVATION DIVISION

A M E N D E D
APPLICATION

COMES NOW STEVENS OPERATING CORPORATION, by and through its undersigned attorneys, hereby makes application pursuant to Oil Conservation Division Rule 111 for an Order authorizing the directional drilling of its Demar Federal No. 1 Well and in support thereof states:

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4. Applicant seeks authority for the reentry of the Philtex No. 1 Honolulu Federal Well and the directional drilling of this well to a bottom hole location at a point 1947 feet from the South line and 2562 feet from the West line, N.M.P.M., North King Camp-Devonian Pool, Chaves County, New Mexico.

5. The non-standard oil proration unit comprised of the E/2 W/2 of Section 9 which is the subject of Case No. 9617 is dedicated to this well.

6. The directional drilling of this well will reduce the cost of developing this acreage and thereby will enable applicant to produce the reserves under this non-standard oil proration unit in the most efficient and economical manner.

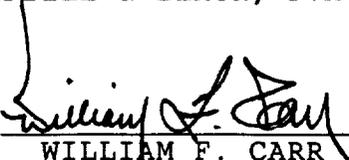
7. Approval of this Application will enable the applicant to produce hydrocarbons that otherwise will not be recovered and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before the Oil Conservation Commission on September 21, 1989, that notice be given as required by law and the rules of the Division, and that the Division enter its order approving the reentry of its Philtex No. 1 Honolulu Federal Well (to be named the

Demar Federal No. 1) the directional drilling of this well to a bottom hole location at a point 1947 feet from the South line and 2562 feet from the West line, the dedication to this well of a non-standard oil proration unit comprised of the E/2 W/2 of Section 9, and granting such other relief as is appropriate.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR STEVENS OPERATING
CORPORATION

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF STEVENS OPERATING CORPORATION
TO AMEND DIVISION ORDER NO. R-8917,
FOR DIRECTIONAL DRILLING, AND AN
UNORTHODOX OIL WELL LOCATION,
CHAVES COUNTY, NEW MEXICO.

CASE NO. 9670 (DE NOVO)

RECEIVED
SEP 1 1989
OIL CONSERVATION DIVISION

A M E N D E D
APPLICATION

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5. The non-standard oil proration unit comprised of the E/2 W/2 of Section 9 which is the subject of Case No. 9617 is dedicated to this well.

6. The directional drilling of this well will reduce the cost of developing this acreage and thereby will enable applicant to produce the reserves under this non-standard oil proration unit in the most efficient and economical manner.

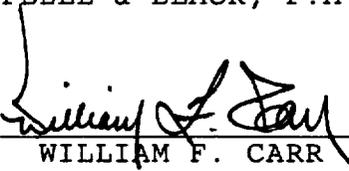
7. Approval of this Application will enable the applicant to produce hydrocarbons that otherwise will not be recovered and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before the Oil Conservation Commission on September 21, 1989, that notice be given as required by law and the rules of the Division, and that the Division enter its order approving the reentry of its Philtex No. 1 Honolulu Federal Well (to be named the

Demar Federal No. 1) the directional drilling of this well to a bottom hole location at a point 1947 feet from the South line and 2562 feet from the West line, the dedication to this well of a non-standard oil proration unit comprised of the E/2 W/2 of Section 9, and granting such other relief as is appropriate.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR STEVENS OPERATING
CORPORATION

Bill Carr called to confirm forty
1947' FSL
2562' FWL

FLORENCE

19 Stearns
Camp

Beer

CASE 8769: (Reopened) (Continued from July 26, 1989, Examiner Hearing.)

In the matter of Case No. 8769 being reopened upon application of Howard Olsen to reconsider the provisions of Division Order No. R-8091, issued in said Case No. 8769 and dated December 6, 1985, which granted the application of Doyle Hartman to compulsorily pool all mineral interests from the surface to the base of the Langlie-Mattix Pool underlying the SE/4 NE/4 (Unit H) of Section 26, Township 25 South, Range 37 East, forming a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard oil well location thereon. Said well is located approximately 4 miles east of Jal, New Mexico.

CASE 9707: (Continued from July 26, 1989, Examiner Hearing.)

Application of Meridian Oil, Inc. for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox coal gas well location for its Heizer Well No. 100 to be drilled 1430 feet from the North line and 2250 feet from the East line (Unit G) of Section 15, Township 32 North, Range 10 West, Basin-Fruitland Coal (Gas) Pool, Lots 1, 2, 3, and 4 and the W/2 E/2 (E/2 equivalent) of said Section 15 to be dedicated to said well forming a standard 311.43-acre gas spacing and proration unit for said pool. Said location is approximately 1 mile south of the Colorado/New Mexico Stateline on U.S. Highway 550.

Docket 24-89

DOCKET: COMMISSION HEARING - THURSDAY - AUGUST 17, 1989

9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

CASE 9611: (De Novo) (Continued from July 20, 1989, Commission Hearing.)

Application of The Petroleum Corporation of Delaware for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 660 feet from the South and West lines (Unit M) of Section 1, Township 20 South, Range 29 East, Undesignated East Burton Flat-Morrow Gas Pool, the S/2 of said Section 1 to be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool. Said location is approximately 3.5 miles west of the Eddy Potash Inc. Mine and Refinery. Upon application of The Petroleum Corporation of Delaware, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9617: (De Novo) (Continued from July 20, 1989, Commission Hearing.)

Application of Curry and Thornton for an unorthodox oil well location and a non-standard proration unit, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, Undesignated North King Camp-Devonian Pool, the E/2 W/2 of said Section 9 to be dedicated to a well forming a non-standard 160-acre oil spacing and proration unit for said pool. Said location is approximately 17 miles east of Hagerman, New Mexico. Upon application of Santa Fe Exploration Company and Curry and Thornton, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9670: (De Novo) *(Continued and Readvertised)*

Application of Stevens Operating Corporation to amend Division Order No. R-8917, directional drilling and an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8917 to allow for re-entry of the currently plugged and abandoned Philtex Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, North King Camp-Devonian Pool, in lieu of drilling a new well at the unorthodox location approved by said order. Applicant further seeks approval to directionally drill said Philtex Honolulu Federal Well No. 1 to a depth of approximately 9894 feet, and to bottom said well at an unorthodox bottomhole location ~~500 feet west of a point 1980 feet~~ from the South line and 2475 feet from the West line of said Section 9. A 160-acre non-standard proration unit consisting of the E/2 W/2 of said Section 9 (Approved By Order No. R-8917) is to be dedicated to the above described well. Said location is approximately 17 miles east of Hagerman, New Mexico. Upon application of Santa Fe Exploration Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9697: (Continued from July 12, 1989, Examiner Hearing.)

Application of Santa Fe Exploration Company for amendment of the special rules and regulations for the North King Camp-Devonian Pool, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks to amend Rule 6 of the Special Rules and Regulations for the North King Camp-Devonian Pool as promulgated by Division Order No. R-8806 by establishing a special depth bracket allowable of 350 barrels of oil per day for the pool (pursuant to General Rule 505[d]). Said pool presently comprises the SE/4 of Section 9, Township 14 South, Range 29 East and is located approximately 17 miles east of Hagerman, New Mexico.

CASE 9709: (Continued from July 26, 1989, Examiner Hearing.)

Application of Pacific Enterprises Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying Lots 1 thru 5, the SE/4 NW/4, and the S/2 NE/4 (N/2 equivalent) of Section 6, Township 20 South, Range 34 East, forming a 322.03-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated Quail Ridge-Morrow Gas Pool and the Undesignated Teas-Pennsylvanian Gas Pool). Applicant also seeks an order pooling all mineral interests from the surface to the top of the Wolfcamp formation underlying Lots 3, 4, and 5, and the SE/4 NW/4 (NW/4 equivalent) of said Section 6, forming a 162.03-acre gas spacing and proration unit for any all formations and/or pools developed on 160-acre spacing. Both units are to be dedicated to a single well to be drilled at a standard location 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 6. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 1/2 mile north of Mile Post No. 76 on U.S. Highway 62/180.

CASE 9719: (This Case will be dismissed.)

Application of Mallon Oil Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Brushy Draw-Delaware Pool through the perforated interval from approximately 5593 feet to 5636 feet in its Amoco Federal Well No. 1 located 1665 feet from the South line and 330 feet from the East line (Unit I) of Section 27, Township 26 South, Range 29 East, which is located approximately 3/4 of a mile north of Mile Corner No. 53 located on the Texas/New Mexico Stateline.

CASE 9720: Application of Steve Sell for directional drilling, an unorthodox gas well location, non-standard gas well location, and to amend Order No. R-8928, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8928 (which authorized the applicant to directionally drill its Shafer Federal Com. Well No. 1 from a surface location 1327 feet from the South line and 1145 feet from the West line (Unit L) of Section 35, Township 21 South, Range 24 East, to a bottomhole unorthodox gas well location in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool and Undesignated Indian Basin-Morrow Gas Pool being no closer than 1600 feet from the South line and 800 feet from the West line of Section 35, all of Section 35 to be dedicated to the well forming a 654.47-acre gas proration unit for both pools) by allowing the Shafer Federal Com Well No. 1 to be plugged back to the vertical portion of the wellbore, kicking-off in an east-southeasterly direction, and directionally drilling to a new unorthodox bottomhole location to a depth sufficient to test the Morrow formation within 200 feet of a point 900 feet from the South line and 2500 feet from the East line (Unit O) of said Section 35. Applicant further requests that this well be properly classified as a wildcat well in the Pennsylvanian formations and subject to the Statewide General Rules for such a test. The subject well is to be dedicated to Lots 1 through 6 and the W/2 SW/4 of said Section 35 forming a non-standard 334.47-acre gas spacing and proration unit. This well is located approximately 14 miles west of Carlsbad, New Mexico.

CASE 9721: Application of Marathon Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle gas production from the Blanco-Mesaverde Pool and Basin-Dakota Pool within the wellbore of its Jicarilla Apache Well No. 13E located 1850 feet from the North line and 930 feet from the West line (Unit E) of Section 33, Township 26 North, Range 5 West. Said well is located approximately 11 miles west of the Southern Union Gas Company Ojito Camp.

CASE 9722: Application of Marathon Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle gas production from the Blanco-Mesaverde Pool and Basin-Dakota Pool within the wellbore of its Jicarilla Apache Well No. 14E located 1850 feet from the North line and 1685 feet from the West line (Unit F) of Section 34, Township 26 North, Range 5 West. Said well is located approximately 9.5 miles west of the Southern Union Gas Company Ojito Camp.

CASE 9723: Application of Beach Exploration, Inc. for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location for its Exxon "A" Federal Well No. 3 to be drilled 2410 feet from the North line and 1932 feet from the West line (Unit F) of Section 18, Township 16 South, Range 29 East, Undesignated High Lonesome-Queen Pool, the SE/4 NW/4 of said Section 18 to be dedicated to said well. The proposed well site is located approximately 10.5 miles northwest of Loco Hills, New Mexico.

CASE 8668: (Reopened) (Continued from July 26, 1989, Examiner Hearing.)

In the matter of Case No. 8668 being reopened upon application of Howard Olsen to reconsider the provisions of Division Order No. R-8031, issued in said Case No. 8668 and dated September 27, 1985, which granted the application of Doyle Hartman to compulsorily pool all mineral interests from the surface to the base of the Langlie-Mattix Pool underlying the SE/4 SE/4 (Unit P) of Section 23, Township 25 South, Range 37 East, forming a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard oil well location thereon. Said well is located approximately 4 miles east of Jal, New Mexico.

- CASE 9714: Application of Union Oil Company of California for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow Formation underlying Lots 1 through 5, the SE/4 NW/4, and the S/2 NE/4 (N/2 equivalent) of Section 6, Township 20 South, Range 34 East, forming a standard 322.03-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated Quail Ridge-Morrow Gas Pool and the Undesignated Teas-Pennsylvanian Gas Pool), said unit to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located on the north side of U.S. Highway 62/180 at Mile Post No. 76.
- CASE 9715: Application of Benson-Montin-Greer Drilling Corporation for a horizontal directional drilling pilot project, special operating rules therefor, and a non-standard oil proration unit, West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to initiate a horizontal directional drilling pilot project in Sections 15 and 16, Township 25 North, Range 1 West, West Puerto Chiquito-Mancos Oil Pool, Canada Ojitos Unit Area. The applicant proposes to utilize its C.O.U. (A16) Well No. 8 located 850 feet from the North line and 1030 feet from the East line (Unit A) of said Section 16 by kicking off from the vertical wellbore in an easterly direction and then drilling horizontally in the Mancos formation for approximately 2000 feet bottoming said wellbore in the adjoining Section 15, whereby it is proposed that both Sections 15 and 16 will be dedicated to the well forming a non-standard 1280-acre oil spacing and proration unit for said pool. Applicant further seeks special rules and provisions within the pilot project area including the designation of a prescribed area limiting the horizontal extent of the wellbore and special allowable considerations. This area is located approximately 15 miles north by east of Regina, New Mexico.
- CASE 9703: (Continued from July 26, 1989, Examiner Hearing.)
Application of Meridian Oil, Inc. for exemption from the New Mexico Natural Gas Pricing Act (NMPA), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the exemption from the NMPA of certain infill wells in the Basin-Dakota and Blanco-Mesaverde Pools as provided in Section 62-7-5 NMSA, 1978. A list of wells for which exemptions are being sought may be obtained by contacting the Santa Fe office of the Oil Conservation Division.
- CASE 9706: (Continued from July 26, 1989, Examiner Hearing.)
Application of Bahlburg Exploration for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 900 feet from the South line and 50 feet from the West line (Unit M) of Section 25, Township 13 South, Range 37 East, Undesignated King-Devonian Pool, the SW/4 SW/4 of said Section 25 to be dedicated to said well forming a standard 40-acre oil spacing and proration unit. Said well location is approximately 11.5 miles southeast by east of Tatum, New Mexico.
- CASE 9716: Application of Oryx Energy Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location to test the Morrow Formation at a point 1980 feet from the South line and 990 feet from the East line (Unit I) of Section 9, Township 20 South, Range 33 East, Undesignated Teas Pennsylvanian Gas Pool, the S/2 of said Section 9 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool. Said well location is approximately one mile north of Mile Post No. 72 on U.S. Highway 62/180.
- CASE 9717: Application of Nassau Resources for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the Pictured Cliffs formation or to a depth of 3,270 feet, whichever is deeper, underlying the E/2 of Section 15, Township 32 North, Range 4 West, forming a standard 320-acre, more or less, gas spacing and proration unit for any and all pools and/or formations developed on 320-acre spacing (which presently includes but is not necessarily limited to the Basin-Fruitland Coal Gas Pool), said unit to be dedicated to its Carracas Unit 15-B Well No. 7 to be drilled on a standard coal gas well location 1650 feet from the North line and 1850 feet from the East line (Unit G) of said Section 15. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 1 mile southwest of Mile Corner No. 230 located on the New Mexico/Colorado Stateline.
- CASE 9718: Application of Meridian Oil Inc. for the vertical contraction and redesignation of an existing Delaware Oil Pool and for a new pool creation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to contract the vertical limits of the Parkway-Delaware Pool by excluding the upper portion of the Delaware formation identified as the "B" Sand interval and to redesignate said pool as the Parkway-Delaware "A" Sand Pool or the Parkway-Lower Delaware Pool. Applicant further seeks the concomitant creation of a new oil pool for Upper Delaware production designated as the Parkway-Delaware "B" Sand Pool or Parkway-Upper Delaware Pool with its horizontal limits to include all of Section 35, Township 19 South, Range 29 East. The applicant also requests that the effective date for such an order issued in this matter be June 16, 1989. The Parkway-Delaware Pool presently comprises all of Section 35 and the NW/4 of Section 36, Township 19 South, Range 29 East, which is located approximately 26 miles southeast by east of Artesia, New Mexico.

Dockets Nos. 25-89 and 26-89 are tentatively set for August 23 and September 6, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 9, 1989

8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner, or David R. Catanach, or Victor T. Lyon, Alternate Examiners:

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for September, 1989, from fourteen prorated gas pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for September, 1989, from four prorated gas pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 9712: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Tom L. Ingram, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Chappell "5" Well No. 1 located 2310 feet from the North line and 990 feet from the West line (Unit E) of Section 5, Township 12 North, Range 30 East, as projected into the unsurveyed Baca Location No. 2 Grant, San Miguel County, New Mexico (which is located approximately 9.25 miles north-northwest of Tucumcari, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 9713: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Tom L. Ingram, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Gihon "31" Well No. 1 located 2970 feet from the South line and 1814 feet from the East line (Unit G) of Section 31, Township 13 North, Range 30 East, as projected into the unsurveyed Baca Location No. 2 Grant/Pablo Montoya Land Grant, San Miguel County, New Mexico (which is located approximately 10.5 miles north-northwest of Tucumcari, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 9698: (Continued from July 26, 1989, Examiner Hearing.)

Application of Yates Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location for its Dragonfly State Unit Well No. 2 located 660 feet from the South line and 1650 feet from the East line (Unit O) of Section 31, Township 9 South, Range 27 East, Undesignated Four Ranch-PrePermian Gas Pool, Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of said Section 31 to be dedicated to said well forming a standard 319.16-acre gas spacing and proration unit for said pool. Said well is approximately 4.5 miles north of Mile Post 172.5 on U. S. Highway 380.

CASE 9700: (Continued from July 26, 1989, Examiner Hearing.)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1, 2, 3, and 4 and the S/2 N/2 (N/2 equivalent) of Section 2, Township 20 South, Range 24 East, forming a standard 319.04-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated Dagger Draw-Strawn Gas Pool, Undesignated Dagger Draw-Atoka Gas Pool, Undesignated North Cemetery-Atoka Gas Pool, Undesignated Cemetery-Morrow Gas Pool, and the Undesignated Hoag Tank-Morrow Gas Pool) and Lots 3 and 4 and the S/2 NW/4 (NW/4 equivalent) of said Section 2 to form a standard 159.64-acre spacing and proration unit for all formations and/or pools developed on 160-acre spacing (which presently includes but is not necessarily limited to the Undesignated Dagger Draw-Wolfcamp Gas Pool and the Undesignated North Dagger Draw-Upper Pennsylvanian Pool). Both aforementioned units are to be dedicated to a well to be drilled at a standard location 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 2. Also to be considered will be the cost of drilling and completing said well and the allocation of cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 8 miles west by north of Seven Rivers, New Mexico.

CASE 9695: (Reopened and Readvertised)

Application of Yates Energy Corporation for an unorthodox gas well location and a non-standard gas proration unit, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 660 feet from the South line and 1300 feet from the West line (Unit M) of Section 18, Township 9 South, Range 27 East, Four Ranch-PrePermian Gas Pool, Lots 1 through 4 and the E/2 W/2 of said Section 18 to be dedicated to the well forming a non-standard 325.04-acre gas spacing and proration unit. Said location is approximately 6 miles south-southwest of the Campbell Railroad Switch.

CASE 9667: (De Novo)

Application of Midland Phoenix Corporation for unorthodox gas well location and compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, to form a standard 320-acre gas spacing and proration unit for both pools, to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3 miles west-southwest of the Junction of Old State Highway No. 128 and County Road No. 2. Upon application of Enron Oil and Gas Company, this Case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9669: (De Novo)

Application of Enron Oil & Gas Company for compulsory pooling, unorthodox gas well location, and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the S/2 of Section 34, Township 24 South, Range 34 East, forming a standard 320-acre gas spacing and proration unit for said pool. Applicant further seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34, forming a non-standard 160-acre gas spacing and proration unit for said pool. Both aforementioned units are to be dedicated to a single well to be drilled at a location which is standard for the Morrow zone and unorthodox for the Atoka zone, 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 3 miles west-southwest of the Junction of Old State Highway No. 128 and County Road No. 2. Upon application of Enron Oil and Gas Company, this Case will be heard De Novo pursuant to the provisions of Rule 1220.

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. 9617
ORDER NO. R-8917

APPLICATION OF CURRY AND THORNTON
FOR AN UNORTHODOX OIL WELL LOCATION
AND A NON-STANDARD PRORATION UNIT,
CHAVES COUNTY, NEW MEXICO

*See Also Order
No. R-8917-A*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 1, 1989, at Santa Fe, New Mexico, before Examiner Victor T. Lyon.

NOW, on this 19th day of April, 1989, 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, Curry and Thornton, owns the leasehold on the W/2 of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico and desires to drill a well thereon for a non-standard unit consisting of the E/2 W/2 of said Section 9 at an unorthodox location 1980 feet from the South line and 2475 feet from the West line (Unit K) of said Section 9 in the King Camp-Devonian Pool.

(3) Santa Fe Exploration and Exxon USA appeared at the hearing and opposed the subject application on the basis that the unorthodox location would impair correlative rights; and, if granted, a penalty should be assessed based upon an estimate of pool reserves under each tract.

(4) The discovery well was drilled by Santa Fe Exploration at a standard location 1980 feet from the South and East lines of said Section 9.

(5) Special pool rules for said pool were promulgated by Order No. R-8806 after the hearing held in November, 1988 in Case No. 9529, and provided for 160-acre spacing and proration units consisting of a governmental quarter section with the well to be located not less than 660 feet from the unit boundary, nor less than 330 feet from an inner quarter-quarter section line, nor less than 1320 feet from the nearest well completed in said pool.

(6) Evidence was introduced in Case No. 9529 that there is a fault, down-thrown to the west, which traverses the W/2 of said Section 9 in generally a north-south direction continuing southward across Section 16. Additional evidence was introduced in this case which substantiates the existence of the fault.

(7) Santa Fe Exploration drilled a well east of the fault described above which was dry at a standard location 660 feet from the North line and 1980 feet from the East line of Section 16, one-half mile south of the discovery well. The revised geologic interpretation shows a second fault separating the second well from the first.

(8) Evidence indicates that approximately 60 acres east of the fault in the E/2 W/2 of Section 9 is potentially productive, and the applicant is entitled to drill a well to recover the reserves.

(9) A non-standard proration unit consisting of the E/2 W/2 would permit applicant to drill a single well to recover the oil under his lease, whereas two wells drilled for the NW/4 and SW/4 would be uneconomic, unnecessary and would cause waste from drilling an unnecessary well.

(10) There is inadequate data available to make an estimate of reserves with sufficient precision upon which a penalty could be assessed.

(11) Applicant requests an exception to two of the spacing requirements - the minimum distance from the outer boundary of the proration unit and the minimum distance between wells.

(12) Evidence at the hearing indicated that it is necessary to crowd the east line of the proration unit in order to avoid the fault but that a well could be drilled at the minimum distance from the nearest well.

(13) A penalty (P_1) should be assessed for crowding the east line of the unit in proportion to the distance moved from a standard location toward that line or $495/660 = 0.75$.

(14) A further penalty (P_2) should be assessed for crowding the nearest well in proportion to the distance the well is moved toward the nearest well from the minimum distance permitted, or $495/1320 = 0.375$.

(15) The combined penalties should be cumulative so that the proportion of the top allowable assigned at the proposed location would be $(1-P_1) \times (1-P_2)$, or $.25 \times .625 = .15625$.

(16) The distance moved toward the offsetting lease together with the depth of the well indicates a strong possibility the well may encroach even closer to the Santa Fe Exploration lease or even trespass on that lease, and therefore a continuous directional survey should be run on the well and a copy thereof filed with the Division so that the true location of the well at the productive interval can be determined.

(17) The penalty should be based upon the bottomhole location of the well using the procedure described in Finding Paragraphs (13) through (15), above.

(18) The drilling of the well with appropriate penalty as described above will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected 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 application of Curry and Thornton for an unorthodox oil well location for the North King Camp-Devonian Pool is hereby approved for a well to be located at a point 1980 feet from the South line and 2475 feet from the West line of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico.

(2) The E/2 W/2 of said Section 9 shall be dedicated to the above-described well forming a 160-acre non-standard oil spacing and proration unit for said pool.

(3) A continuous directional survey shall be run on the well and filed with the Division so that the bottomhole location at the producing interval may be determined.

(4) The depth bracket allowable for the well shall be penalized by using the following formula, based on the bottomhole location of the well:

- a. a penalty (P_1) based on the proportion of distance the actual location is moved toward the boundary from the standard location;

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Order No. R-8917
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- b. a penalty (P_2) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of $(1-P_1) \times (1-P_2)$.

(5) 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:

CASE NO. 9670
ORDER NO. R-8917-A

APPLICATION OF STEVENS OPERATING CORPORATION
TO AMEND DIVISION ORDER NO. R-8917,
DIRECTIONAL DRILLING, AND AN UNORTHODOX
OIL WELL LOCATION, CHAVES COUNTY, NEW MEXICO

*See Also Order
No. R-8917*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 10, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 18th day of May, 1989, 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-8917, dated April 19, 1989, the applicant in Case No. 9617, Curry and Thornton, was authorized to drill a well to test the North King Camp-Devonian Pool at an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico. Said Order also approved a 160-acre non-standard oil proration unit comprising the E/2 W/2 of Section 9 to be dedicated to the above-described well.

(3) Said Order No. R-8917 also set forth a penalty to be assessed against the top unit allowable assigned to the well by utilizing the following formula, based on the actual bottomhole location of the wellbore to be determined by a directional survey of the completed well:

- a. a penalty (P₁) based on the proportion of distance the actual location is moved toward the boundary from the standard location;

- b. a penalty (P₁) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of $(1-P_1) \times (1-P_2)$.

(4) The applicant in the immediate case, Stevens Operating Corporation, which has replaced Curry and Thornton as operator of the E/2 W/2 of said Section 9, now seeks to amend said Division Order No. R-8917, and in lieu of drilling a new well at the previously authorized unorthodox oil well location, be permitted to re-enter the plugged and abandoned Philtex Oil Company Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of said Section 9, wherein the applicant proposes to deviate said well so as to penetrate the North King-Camp Devonian Pool at an unorthodox bottomhole oil well location within 500 feet west of a point 1980 feet from the South line and 2475 feet from the West line of said Section 9.

(5) The subject well in this matter was spudded on November 3, 1961 and was drilled to a total depth of 9894 feet where it tested dry in the Devonian formation and was subsequently plugged and abandoned.

(6) The applicant proposes to re-enter said well and drill out the existing cement plugs to a depth of approximately 7474 feet, kick-off at this point due east, build angle to 15 degrees and hold to a measured depth of approximately 8913 feet, at which point the angle will be allowed to drop and return to vertical to a measured depth of approximately 9450 feet, whereby the hole will be allowed to build angle back and drift to the west bottoming at a true vertical depth of approximately 9710 feet in the Devonian formation approximately 330 feet west of the well's surface location.

(7) Should said well be a producer, it is the intent of this application that all survey and penalty provisions in the original Order No. R-8917 be fully applicable with respect to this well.

(8) Santa Fe Exploration Company, the offset operator to the east of the non-standard unit, appeared at the hearing and objected to the existing method of assessing a penalty on production from this well and proposed that the top unit allowable for this well, regardless of its location within the proposed target area, be set at a flat rate of 80 barrels of oil per day.

(9) the existence of a fault, downthrown to the west, which traverses the W/2 of said Section 9 in a north-south direction, resulting in only a small portion of the extreme east side of the E/2 W/2 of said Section 9 being potentially productive, as described in Case No. 9617 and further in this matter, makes it necessary for the applicant to crowd the east line of the unit to adequately drain those reserves underlying the unit. By utilizing an existing wellbore to directionally drill into the subject reservoir, the cost of developing this acreage

should be reduced; therefore approval of the subject application utilizing the penalty formula as outlined in said Order No. R-8917 and Finding Paragraph (3) above, will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk from drilling an excessive number of wells and will otherwise prevent waste and will serve to protect correlative rights in this situation.

(10) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct a multi-shot directional survey during or upon completion of drilling operations from the kick-off point to total depth.

(11) The applicant should be required to notify the supervisor of the Artesia district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant should further be required to provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

(12) The penalty should however be based on that portion of the total completion interval closest to the eastern boundary of the unit rather than the bottomhole location as provided for in Order No. R-8917 and in Finding Paragraph No. (3), above.

(13) Upon the successful directional drilling and completion of the subject well, said Division Order No. R-8917 should be placed in abeyance.

(14) However, if in the event re-entry into the Honolulu Federal Well No. 1 is unsuccessful, said Division Order No. R-8917 should remain in full force and effect and any other order resulting in the immediate case should become void and of no further effect.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Stevens Operating Corporation, is hereby authorized to re-enter the plugged and abandoned Philtex Oil Company Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico, and directionally drill, in the manner described in Finding Paragraph No. (6) of this order, so as to penetrate the North King Camp-Devonian Pool within 500 feet west of an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line of said Section 9.

PROVIDED HOWEVER THAT, prior to commencing directional drilling operations into said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT, during or upon completion of directional drilling operations, the applicant shall conduct a multi-shot directional survey from the kick-off point to total depth in order that the subsurface bottomhole location may be determined.

(2) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

(3) the E/2 W/2 of Section 9 shall be dedicated to the above-described well forming a previously authorized (R-8917) 160-acre non-standard oil spacing and proration unit for said pool.

(4) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(5) The depth bracket allowable for the well shall be penalized by using the following formula, based on that portion of the total completion interval which is closest to the eastern boundary of the unit.

- a. a penalty (P_1) based on the proportion of distance the actual location is moved toward the boundary from the standard location;
- b. a penalty (P_2) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of $(1-P_1) \times (1-P_2)$.

(6) Upon the successful directional drilling and completion of the subject well, Division Order No. R-8917, issued in Case No. 9617 and dated April 19, 1989, shall be placed in abeyance until further notice.

IT IS FURTHER ORDERED, HOWEVER, THAT:

(7) If in the event re-entry into the Honolulu Federal Well No. 1 is unsuccessful, said Division Order No. R-8917 shall remain in full force and effect and, at that time, the order in the immediate case (R-8917-A) shall become void and of no further effect.

(8) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 9670
Order No. R-8917-A
Page No. 5

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

August 25, 1989

Campbell & Black, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

RE: Division Case No. 9670, Order No. R-8917-A, Application of Stevens Operating Corporation to amend Division Order No. R-8917, Directional Drilling and are Unorthodox Oil Well Location, Chaves County, New Mexico.

Dear Mr. Carr:

Upon reviewing the Eastman Christensen "Report of Sub-Surface Directional Survey" for the Stevens Operating Corporation Deemar Federal Well No. 1 located at a surface location 1974 feet from the South line and 1988 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, North King Camp Devonian Pool, Chaves County, New Mexico, the following penalty shall be assessed against the top unit allowable for this well, as promulgated by Decretory Paragraph No. 5 of said Order No. R-8917-A.

At the bottom-most perforated interval of 9642 feet (TVD) the location of the wellbore was found to be 1948 feet from the South line and 2652 feet from the West line (Unit K) of said Section 9, or 78 feet from the East line of the proration unit. $(660 - 78 = 582 \text{ feet})$ therefore, *Therefore*
 $P_1 = \frac{582}{660} = 0.882$

The closest well to the subject wellbore is the discovery well (referred to in Finding Paragraph No. 4 of R-8917) which is located 1980 feet from the South and East lines (Unit J) of said Section 9 is 739 feet apart, $(1320 - 739 = 581 \text{ feet})$ therefore, $P_2 = \frac{581}{1320} = 0.440$

The top depth bracket allowable for a well in this pool is 515 barrels of oil per day (General Rule 505 (a)). Utilizing the penalty formula as described in said Order No. R-8917-A for this well:

$$(1-P_1) \times (1-P_2) = (1-0.882) \times (1-0.440) = 0.661 \text{ or } 6.61\%$$

Campbell and Black, P.A.
August 25, 1989
Page 2

This well shall be assigned a daily oil allowable as follows:

$$(0.0661)(515) = 34.04 \text{ barrels/day.}$$

The effective date for said penalty of this well's production shall be the date of first production.

Sincerely,

William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Artesia
Bob Stovall - Santa Fe
W. Thomas Kellahin - Santa Fe
Ernest L. Padilla - Santa Fe
Stevens Operating Corp. - Roswell

Campbell & Black, P.A.
P.O. Box 2208
Santa Fe, NM 87504-2208
Attn: William F. Carr

Re: Division Case No. 9670
Order No. R-8917-D
Application of Stevens Operating
Corporation to Amend Division
Order No. R-8917, Directional
Drilling and an Unorthodox
Oil Well location, Chaves
County, New Mexico.

Dear Mr. Carr

Upon reviewing the Eastman Christensen "Report of
Sub-Surface Directional Survey" for the Stevens Operating
Corporation Deemar Federal Well No. 1 located at a
surface location 1974 feet from the South line and
1988 feet from the West line (Unit K) of Section
9, Township 14 South, Range 29 East, N14E1M, North King
Camp Devonian Pool, Chaves County, New Mexico, the following
penalty ~~shall~~ shall be ~~with~~ assessed against the top unit

WALKMAN FIELD
(Frio 7550)
Brazoria County, Texas

Order No. 3-93,087, Adopting Temporary Operating Rules for the Walkman (Frio 7550) Field, Brazoria County, Texas, Effective June 26, 1989.

The Commission finds that after statutory notice in the above-numbered docket heard on April 28, 1989, the presiding examiners has made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiners' report and recommendation, the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is ordered by the Railroad Commission of Texas that the following temporary rules shall be adopted for the Walkman (Frio 7550) Field, Brazoria County, Texas.

RULE 1. The entire correlative interval from 7,563 feet to 7,574 feet as shown on the Dual Induction-SFL Compensated Neutron Litho-Density log of the Terra Resources, Inc. Krape Well No. 1, F. Moore Survey, Brazoria County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Walkman (Frio 7550) Field.

RULE 2. No well for gas shall hereafter be drilled nearer than one thousand two hundred (1,200) feet to any well completed in or drilling to the same reservoir on the same lease, unitized tract, or farm, and no well shall be drilled nearer than four hundred sixty seven (467) feet to any property line, lease line, or subdivision line; provided, however, that the Commission will, in order to prevent waste or to prevent the confiscation of property grant exceptions to permit drilling within shorter distances than herein prescribed whenever the Commission shall have determined that such exceptions are necessary either to prevent waste or to prevent the confiscation of property. When exception to this rule is desired, application therefor shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rules 37 and 38, which applicable provisions of said rules are incorporated herein by reference.

The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well, and the above spacing well to each prescribed proration unit, except as hereafter prescribed.

In applying this rule, the general order of the Commission with relation to the subdivision of property shall be observed.

RULE 3. The acreage assigned to the individual oil well for the purpose of allocating allowable gas production thereto shall be known as a prescribed proration unit. No proration unit shall consist of more than eighty (80) acres except as hereinafter provided, and the two farthestmost points in any proration unit shall not be in excess of three thousand two hundred fifty (3,250) feet removed from each other; provided that tolerance acreage of ten (10) percent shall be allowed for each unit so that an amount not to exceed a maximum of eighty eighty (88) acres may be assigned. For allowable assignment purposes, the prescribed proration unit shall be an eighty (80) acre unit, and each unit containing less than eighty (80) acres shall be a fractional proration unit. All such proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of gas. No double assignment of acreage will be accepted.

Operators shall file with the Commission certified plats of their properties in said field, which plats shall set out distinctly all of those things pertinent to the determination of the acreage assigned to any proration unit has been pooled, provided that if the acreage assigned to any proration unit has been pooled, the operator shall furnish the Commission with such proof as it may require as evidence that interests in and under such proration unit have been so pooled.

RULE 4. The daily allowable production of gas from individual wells completed in a non-associated gas reservoir of the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their gas allowances, among the individual wells in the proportion that the acreage assigned such well for proration purposes bears to the summation of the acreage with respect to all prorable wells producing from the same reservoir.

It is further ordered that these rules are temporary and effective until December 26, 1990, or until Commission staff evaluates appropriate data after notice and opportunity for hearing as offered by the Commission prior to the expiration of the rules. After this notice and opportunity for hearing, should the evidence evaluated during review be insufficient to sustain spacing or proration unit rules, these temporary rules, on the Commission's own motion, will be terminated and the field will revert to Statewide spacing and density rules.

Done this the 26th day of June, 1989.

USSERY FIELD
(Caddo)
Nolan County, Texas

Order No. 7B-93,178, Adopting Operating Rules for the Ussery (Caddo) Field, Nolan County, Texas, Effective July 24, 1989.

The Commission finds that after statutory notice in the above-numbered docket heard on June 7, 1989, the presiding examiner has made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiner's report and recommendation, the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is ordered by the Railroad Commission of Texas that effective July 24, 1989, the following permanent field rules, in addition to such of the Commission's general rules and regulations as are not in conflict herewith, be and the same are hereby adopted to govern the drilling, completion, and operation of wells in the Ussery (Caddo) Field, Nolan County, Texas.

RULE 1. The entire correlative interval of the Caddo Lime from 6460 feet to 6550 feet subsurface as shown on the Dual Induction log of the Waco Energy, Inc., John Ussery Well No. 1, Mary F. Jones Survey No. 1110, Nolan County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Ussery (Caddo) Field.

RULE 2. No gas well shall hereafter be drilled nearer than three thousand seven hundred thirty five (3735) feet to any well completed in or drilling to the same reservoir on the same lease, unitized tract, or farm; and no well shall be drilled nearer than one thousand eight hundred sixty seven (1867) feet to any property line, lease line, or subdivision line; provided, however, that the Commission will, in order to prevent waste or to prevent the confiscation of property, grant exceptions to permit drilling within shorter distances than herein prescribed, whenever the Commission shall have determined that such exceptions are necessary either to prevent waste or to prevent the confiscation of property. When exception to this rule is desired, application therefor shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rules 37 and 38, which applicable provision of said rules are incorporated herein by reference.

The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well; and the above spacing rule and other rules to follow are for the purpose of permitting only one well to each proration unit.

In applying this rule, the general order of the Commission with relation to the subdivision of property shall be observed.

RULE 3. The acreage assigned to the individual non-associated gas well for the purpose of allocating allowable gas production thereon shall be known as a gas proration unit, and such acreage may be claimed for each non-associated gas reservoir independently of any other reservoir. No gas proration unit shall contain more than six hundred forty (640) acres except as herein provided, and no acreage shall be included in any proration unit formed or created subsequent to the effective date of this order and allocated to the well thereon unless the two farthestmost points of the unit

created by the inclusion of such acreage be not greater than eight thousand of ten (10) percent shall be allowed for each unit so that an amount not to exceed a maximum of seven hundred four (704) acres may be assigned, and each unit, containing less than six hundred forty (640) acres shall be a fractional proration unit. All such proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of gas.

Operators shall file with the Commission certified plats of their proration units with the Commission certified plats of their properties in said field, which plats set out distinctly all of those things pertinent to the determination of the acreage credit claimed for each well; provided that if the acreage assigned to any proration unit has been pooled, the operator shall furnish the Commission with such proof as it may require as evidence that interests in and under such proration unit have been so pooled.

RULE 4. The daily allowable production of gas from individual wells completed in a non-associated gas reservoir of the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their gas allowances, among the individual wells in the proportion that the acreage assigned such well for proration purposes bears to the summation of the acreage with respect to all prorable wells producing from the same reservoir.

Done this 24th day of July, 1989.

HRUBETZ FIELD
(Tannehill Rules Rescinded)
Taylor County, Texas

Order No. 7B-85,629, Rescinding the Temporary Operating Rules Adopted for the Hrubetz (Tannehill) Field, Taylor County, Texas, Effective August 19, 1985.

The Commission finds that after statutory notice in the above-numbered docket reviewed on July 19, 1985, the presiding examiner has made and filed a report containing findings of fact and conclusions of law, for which service was waived by parties of record; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiner's report, the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is ordered by the Railroad Commission of Texas: 1. That the rules adopted in Special Order No. 7B-81,234 are cancelled. 2. That Statewide Rules are effective until further ordered. Done this 19th day of August, 1985.

This well shall be assigned ~~an~~ a daily oil
allowable as follows:

$$(0.0661)(515) = 34.04 \text{ Barrels/Day}$$

The effective date for said penalty of
this wells production shall be the date of
first production.

Sincerely

William J. LeMay

Director

c.c. - OCP Artesia

~~Bob~~ Bob Stovall - Santa Fe

W. Thomas Kelleher - Santa Fe

Ernest L. Padilla - Santa Fe

Stevens Operating Corp. - Roswell

(November 1983)
(Formerly 9-331)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Expires August 31, 1985

5. LEASE DESIGNATION AND SERIAL NO.

NM 68078

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a well or reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)

1. OIL WELL GAS WELL OTHER

2. NAME OF OPERATOR
Stevens Operating Corporation

3. ADDRESS OF OPERATOR
P.O. Box 2408, Roswell, NM 88201

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.)
At surface
1974' FSL, 1988' FWD, Sec. 9, T14S, R29E

14. PERMIT NO.

15. ELEVATIONS (Show whether DF, RT, GR, etc.)
3712 GR

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
Deemar Fedral

9. WELL NO.
1

10. FIELD AND POOL, OR WILDCAT
North King Camp Devonian

11. SEC., T., R., N., OR BLK. AND SURVEY OR AREA
Sec. 9, T14S, R29E

12. COUNTY OR PARISH
Chaves

13. STATE
NM

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

TEST WATER SHUT-OFF

PULL OR ALTER CASING

WATER SHUT-OFF

REPAIRING WELL

FRACTURE TREAT

MULTIPLE COMPLETE

FRACTURE TREATMENT

ALTERING CASING

SHOOT OR ACIDIZE

ABANDON*

SHOOTING OR ACIDIZING

ABANDONMENT*

REPAIR WELL

CHANGE PLANS

(Other) Completion

(Other)

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

- July 28, 1989 TD 9748' Measured Depth (Electric Log). TVD 9659'.
- July 29, 1989 Ran 5 1/2", 17# Csg to 9748' MD.
- July 30, 1989 Cement w/ 755 sxs "H" 65/35 Poz, 2% gel, 3/10% CFR-3, 5% salt. Cement plug down 2:15 pm. WOC 18 hrs. Pressure up 1000# for 30 minutes logging no pressure decrease. Release rig 8:00 pm.
- August 4, 1989 Perforate 9718', 19, 19.5, 22.5, 23, 23.5, 24, 24.5, 25, 25.5, 26, 29, 29.5, 30, MD, 14 shots (TVD 9631-9632, 9634-9642). Acidize w/250 gal 15% acid.
- August 5, 1989 Acidized w/1500 gal 20% acid.

RECEIVED

AUG 18 1989

OIL CONSERVATION DIV.
SANTA FE



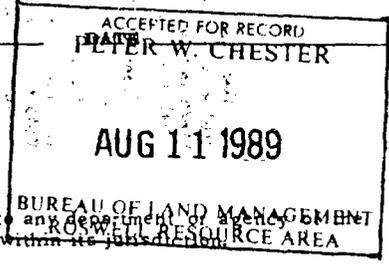
18. I hereby certify that the foregoing is true and correct

SIGNED [Signature] TITLE General Manager DATE 8-4-89

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____
CONDITIONS OF APPROVAL, IF ANY:

*See Instructions on Reverse Side



Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within the jurisdiction of such department or agency.

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

**REQUEST FOR ALLOWABLE AND AUTHORIZATION
 TO TRANSPORT OIL AND NATURAL GAS**

RECEIVED

Operator Stevens Operating Corporation	Well API No. 30-005-00433	AUG 9 1989
Address P.O. Box 2408, Roswell, NM 88201		
Reason(s) for Filing (Check proper box) <input checked="" type="checkbox"/> Other (Please explain)		
New Well <input checked="" type="checkbox"/>	Change in Transporter of: Oil <input type="checkbox"/> Dry Gas <input type="checkbox"/>	Request testing allowable of 3,500 BBLs for remainder of August, 1989.
Recompletion <input type="checkbox"/>	Casinghead Gas <input type="checkbox"/> Condensate <input type="checkbox"/>	
Change in Operator <input type="checkbox"/>		
If change of operator give name and address of previous operator		

II. DESCRIPTION OF WELL AND LEASE

Lease Name Deemar Federal	Well No. 1	Pool Name, Including Formation North King Camp Devonian	Kind of Lease State, Federal or Fee	Lease No. NM 68078
Location Unit Letter <u>K</u> 1980 Feet From The <u>South</u> Line and <u>2475'</u> Feet From The <u>West</u> Line Section <u>9</u> Township <u>14S</u> Range <u>29E</u> , NMPM, Chaves County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input checked="" type="checkbox"/> or Condensate <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
Navajo Crude Oil Purchasing	P.O. Box 175, Artesia, NM 88210
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
If well produces oil or liquids, give location of tanks	Unit Sec. Twp. Rge. Is gas actually connected? When ?
	K 9 14S 29E no

If this production is commingling with that from any other lease or pool, give commingling order number.

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well <input checked="" type="checkbox"/>	Gas Well	New Well <input checked="" type="checkbox"/>	Workover	Deepen	Plug Back	Same Res'v	Diff Res'v
Date Spudded 6-21-89	Date Compl. Ready to Prod. 8-4-89	Total Depth 9748' MD, 9659' TVD	P.B.T.D.					
Elevations (DF, RKB, RT, GR, etc.) 3712 GR	Name of Producing Formation Devonian	Top Oil/Gas Pay 9718'	Tubing Depth					
Perforations 9718', 19, 19.5, 22.5, 23, 23.5, 24, 24.5, 25, 25.5, 26, 29, 29.5, 30 MD. TVD 9631'-9632', 9634'-9642'	Depth Casing Shoe							
TUBING, CASING AND CEMENTING RECORD								
HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT					
17 1/2"	13 3/8"	324	220 Incor 4% Gel.					
11"	8 5/8"	3990	160 Units Hys-400&200 sxs					
7 7/8"	5 1/2"	9748	755 sxs					

V. TEST DATA AND REQUEST FOR ALLOWABLE

OIL WELL (Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours.)

Date First New Oil Run To Tank	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil - Bbls.	Water - Bbls.	Gas - MCF

GAS WELL

Actual Prod. Test - MCF/D	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pilot, back pr.)	Tubing Pressure (Shut-in)	Casing Pressure (Shut-in)	Choke Size

VI. OPERATOR CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature Patricia Greenwade
 Printed Name Patricia Greenwade General Manager
 Title
 Date 8/7/89
 Telephone No. 622-7273

OIL CONSERVATION DIVISION

Date Approved AUG 7 1989
 By Mike Williams
 Title SUPERVISOR, DISTRICT II

INSTRUCTIONS: This form is to be filed in compliance with Rule 1104

- 1) Request for allowable for newly drilled or deepened well must be accompanied by tabulation of deviation tests taken in accordance with Rule 111.
- 2) All sections of this form must be filled out for allowable on new and recompleted wells.
- 3) Fill out only Sections I, II, III, and VI for changes of operator, well name or number, transporter, or other such changes.
- 4) Separate Form C-104 must be filed for each pool in multiply completed wells.

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
WILLIAM P. SLATTERY
MARTE D. LIGHTSTONE
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

RECEIVED

August 4, 1989

AUG 4 1989

HAND-DELIVERED

OIL CONSERVATION DIVISION

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: Oil Conservation Division Case No. 9670:
Application of Stevens Operating Corporation to Amend
Division Order No. R-8917, Directional Drilling and an
Unorthodox Oil Well Location, Chaves County, New Mexico

Dear Mr. LeMay:

Stevens Operating Corporation hereby requests that the above-referenced case scheduled for hearing before the Oil Conservation Commission on August 17, 1989 be continued to the Commission's September hearing docket.

Your attention to this request is appreciated.

Very truly yours,


WILLIAM F. CARR

WFC:mlh

cc: Mr. Don Stevens
Mr. Robert Thornton
Ernest L. Padilla, Esq.

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
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POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

RECEIVED

August 4, 1989

AUG 4 1989

HAND-DELIVERED

OIL CONSERVATION DIVISION

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

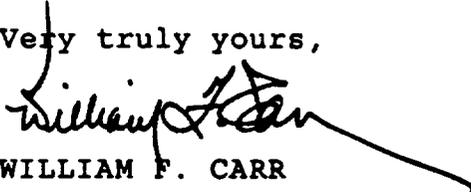
Re: Oil Conservation Division Case No. 9670:
Application of Stevens Operating Corporation to Amend
Division Order No. R-8917, Directional Drilling and an
Unorthodox Oil Well Location, Chaves County, New Mexico

Dear Mr. LeMay:

Stevens Operating Corporation hereby requests that the above-referenced case scheduled for hearing before the Oil Conservation Commission on August 17, 1989 be continued to the Commission's September hearing docket.

Your attention to this request is appreciated.

Very truly yours,


WILLIAM F. CARR

WFC:mlh

cc: Mr. Don Stevens
Mr. Robert Thornton
Ernest L. Padilla, Esq.

CAMPBELL & BLACK, P.A.

LAWYERS

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June 28, 1989

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

RECEIVED
JUN 28 1989
OIL CONSERVATION DIVISION

Re: Case No. 9617:
Application of Curry & Thornton for an Unorthodox Oil
Well Location and Non-Standard Proration Unit, Chaves
County, New Mexico

Case No. 9670:
Application of Stevens Operating Corporation to Amend
Division Order R-8917, Directional Drilling, and an
Unorthodox Oil Well Location, Chaves County, New Mexico

Case No. 9697:
Application of Santa Fe Exploration Company for Amendment
of the North-King Camp Devonian Oil Pool, Special Pool
Rules, Chaves County, New Mexico

Dear Mr. LeMay:

It is my understanding that Case No. 9617 and Case No. 9670 are
scheduled for hearing De Novo before the Oil Conservation
Commission on July 20, 1989 and that Case No. 9617 is set for
hearing before Division Examiner on July 12, 1989

As you are aware, each of these cases involves the development of
the North-King Camp Devonian Oil Pool and the testimony in each of
the cases will be identical in many respects. Furthermore, Stevens
Operating Corporation is currently drilling a well pursuant to the
provisions of Order No. R-8917-A in this pool.

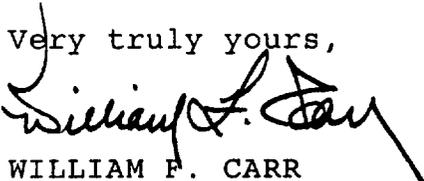
William J. LeMay, Director
Oil Conservation Division
June 28, 1989
Page Two

The purpose of this letter is to request that the scheduled hearings in each of the above-referenced cases be continued and set before the full Oil Conservation Commission at its regularly scheduled Commission hearing in August, 1989. This continuance and consolidation of all three cases will enable Stevens Operating Corporation to complete the drilling of the above-referenced well thereby having all data necessary to go forward with a hearing before the Commission and, furthermore, will permit all questions involving the development of this pool to be heard by one body, at one time, and will result in one final determination of all questions involving the development of this pool.

I have reviewed this request with Ernie L. Padilla, attorney for Santa Fe Exploration Company and can advise that Mr. Padilla has conferred with his client and they concur in this request.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR
WFC:mlh

cc: Mr. Don Stevens
Stevens Operating Corporation
Post Office Box 2408
Roswell, New Mexico 88201

Mr. Robert Thornton
Curry & Thornton
905 Fort Worth Club Building
Fort Worth, Texas 76102

Ernest L. Padilla, Esq.
Padilla & Snyder
Post Office Box 2523
Santa Fe, New Mexico 87504

PADILLA & SNYDER

ATTORNEYS AT LAW

200 W. MARCY, SUITE 216

P.O. BOX 2523

SANTA FE, NEW MEXICO 87504-2523

(505) 988-7577

FAX 988-7592
AREA CODE 505

ERNEST L. PADILLA
MARY JO SNYDER

June 2, 1989

HAND DELIVERY

William LeMay, Director
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

Re: Order R-8917; R-8917-A

Dear Mr. LeMay:

Enclosed please find:

1. Motion to Stay Orders R-8917 and R-8917-A
2. Application for De Novo Hearing of Order R-8917-A

We request that you consider the Motion to Stay the above-referenced Orders at your earliest convenience to avoid any prejudice to any of the parties involved that are affected by the Orders.

With respect to the de novo application we request that it be set for hearing before the Commission after publication. However, a hearing has already been set for de novo hearing on Order R-8917 which deals with basically the same issues. However, Order R-8917-A attempts to void Order R-8917 if Stevens Operating Corporation's directional drilling is attempted and/or is successful. In short, it may be prudent to delay the R-8917 de novo hearing until the R-8917-A de novo request can also be heard. For your information our client has not been opposed to the directional drilling portion of Stevens Operating Corporation's application, but does find fault with other portions of the Orders.

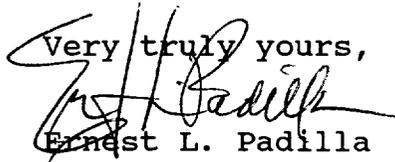
RECEIVED

JUN 2 1989

OIL CONSERVATION DIVISION

Mr. William LeMay
June 2, 1989
Page Two

Should you have any questions, please let me know.

Very truly yours,

Ernest L. Padilla

ELP:lh

Enclosures

cc: William F. Carr, Esq. (w/enc.)
W. Thomas Kellahin, Esq. (w/enc.)

FIFTH JUDICIAL DISTRICT COURT
COUNTY OF CHAVES
STATE OF NEW MEXICO

OIL AND GAS DIVISION
RECEIVED

'89 DEC 29 AM 10 42

CURRY AND THORNTON and
STEVENS OPERATING CORPORATION,

Petitioners,

vs.

NO. 00-89-544

OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO, SANTA FE
EXPLORATION COMPANY, EXXON COMPANY, U.S.A.,
ARMSTRONG ENERGY CORPORATION and
NEW MEXICO OIL CORPORATION,

Respondents.

SUMMONS

*Florence -
I have
a copy*

TO Oil Conservation Commission of the State of New Mexico
c/o William J. LeMay, Director
State Land Office Building
Santa Fe, New Mexico 87501

Defendant(s), Greeting:

You are hereby directed to serve a pleading or motion in response to the Complaint within 30 days after service of the Summons, and file the same, all as provided by law.

You are notified that, unless you so serve and file a responsive pleading or motion, the Plaintiff(s) will apply to the Court for the relief demanded in the Complaint.

Attorney or Attorneys For Plaintiff: William F. Carr, Esq.
Address: Campbell & Black, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504

WITNESS the Honorable Alvin F. Price, District Judges of Said Court of the State of New Mexico and Seal of the District Court of Said County, this 26th day of December, 19 89.

(SEAL) *(Seal)*

George...
CLERK OF THE DISTRICT COURT

By: _____
Deputy

NOTE

This summons does not require you to see, telephone or write to the District Judge of the Court at this time.

It does require you or your attorney to file your legal defense to this case in writing with the Clerk of the District Court within 30 days after the summons is legally served on you. If you do not do this, the party suing may get a Court Judgment by default against you.

OIL CONSERVATION DIVISION
RECEIVED

ENDORSED COPY:
ORIGINAL FILED DISTRICT COURT

DEC 26 1989

GEORGIA FERRIN, CLERK

FIFTH JUDICIAL DISTRICT

DEC 29 AM 10 42

STATE OF NEW MEXICO

COUNTY OF CHAVES

No. CIV -89-544

CURRY AND THORNTON and
STEVENS OPERATING CORPORATION,

Petitioners,

vs.

OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO,
SANTA FE EXPLORATION COMPANY,
EXXON COMPANY, U.S.A.,
ARMSTRONG ENERGY CORPORATION
and NEW MEXICO OIL CORPORATION,

Respondents.

*Case Assigned
To: Judge Alvin F. Jones*

**PETITION FOR REVIEW OF OIL CONSERVATION
COMMISSION ORDER NO. R-9035 (CASES 9617 and 9670)**

COMES NOW CURRY AND THORNTON and STEVENS OPERATING CORPORATION ("Petitioners") and pursuant to the provisions of N.M.Stat. Ann. § 70-2-25B (1978) petitions the Court for review of the action of the New Mexico Oil Conservation Commission ("Commission") in Commission Cases 9617 (De Novo) and 9670 (De Novo) and Order No. R-9035 entered therein, and in support for this Petition for Review state:

1. Petitioner, Curry and Thornton, is a partnership doing business in the State of New Mexico. Curry and Thornton owns an interest in the acreage which is the subject of Commission Cases 9617 (De Novo) and 9670 (De Novo).

2. Petitioner, Stevens Operating Corporation, is a corporation duly organized under the laws of the State of New Mexico. Stevens Operating Corporation is an interest owner in the acreage involved in Commission Cases 9617 (De Novo) and 9670 (De Novo) and is the operator of one of the Deemar Federal No. 1 Wells which is affected by Order No. R-9035.

3. Respondent, Commission, is the statutory body created and existing under the laws of the State of New Mexico which is vested with jurisdiction over all matters relating to the conservation of oil and gas in the State of New Mexico, the prevention of waste of oil and gas, the protection of the correlative rights of the owners of oil and gas interests, and the enforcement of the New Mexico Oil & Gas Act (N.M.Stat. Ann. §§ 70-2-1 through 70-2-36 1978).

4. Respondents, Santa Fe Exploration Company, Armstrong Energy Corporation and New Mexico Oil Corporation are New Mexico corporations.

5. Respondent, Exxon Company, U.S.A., is a Delaware corporation doing business in the State of New Mexico.

6. The North King Camp-Devonian Pool was discovered in 1988 and Special Pool Rules for this pool were promulgated by the Oil Conservation Division including provisions for 160-acre spacing and special well location requirements.

7. Petitioners own leasehold interests on the W/2 of Section 9, Township 14 South, Range 29 East, and in Division Case 9617 sought authorization to drill a well thereon at an unorthodox location and to dedicate to the well a non-standard proration unit comprised of the E/2 of the W/2 of Section 9. This application was granted by Division Order No. R-8917 which penalized production from Petitioners' well.

8. In Case 9670, Petitioners sought authorization to re-enter an existing well in the W/2 of Section 9 and directionally drill to the previously approved bottomhole location. This application was granted by Division Order No. R-8917-A.

9. Timely applications for hearing De Novo were filed by Petitioners and the cases were consolidated and heard De Novo by the Commission on October 19, 1989.

10. The Commission entered Order No. R-9035 in these cases on November 2, 1989 and Petitioners timely sought a rehearing pursuant to N.M.Stat. Ann. §70-2-25 (1978).

11. The Commission took no action on this application for rehearing and Petitioners' application was thereby denied.

12. Petitioners hereby seek judicial review of Order R-9035 pursuant to N.M.Stat. Ann. §70-2-25 (1978) and assert that:

- A. Order No. R-9035 is contrary to law for it will result in the drilling of unnecessary wells, thereby causing waste,
- B. Order No. R-9035 is arbitrary, capricious, unreasonable and contrary to law, for although it is intended to "encourage" voluntary unitization, it exceeds the Division's statutory authority and amounts to economic coercion, will cause waste and impair correlative rights,

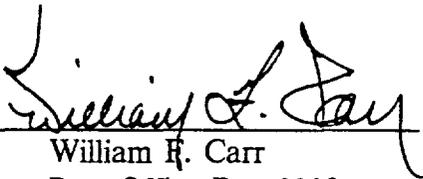
- C. Order No. R-9035 violates Petitioners due process rights, and
- D. The Commission's method of equating and allocating net acre feet and recoverable reserves in Order No. R-9035 is not supported by substantial evidence, is contrary to the record, and is arbitrary, capricious and unreasonable,

all as more fully set forth in the Application for Rehearing of Curry and Thornton and Stevens Operating Corporation, which is attached hereto as Exhibit "I" and incorporated herein by reference.

WHEREFORE, Petitioners pray that the Court review Oil Conservation Commission Order No. R-9035 and enter its Order vacating Order No. R-9035 and granting such other relief as the Court deems proper.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

William H. Carr
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CURRY AND
THORNTON and STEVENS
OPERATING CORPORATION

STATE OF NEW MEXICO
ENERGY MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF CURRY AND THORNTON
FOR AN UNORTHODOX OIL WELL LOCATION
AND A NON-STANDARD PRORATION UNIT,
CHAVES COUNTY, NEW MEXICO,

CASE NO. 9617
(DE NOVO)

RECEIVED

APPLICATION OF STEVENS OPERATING
CORPORATION TO AMEND DIVISION
ORDER NO. R-8917, DIRECTIONAL
DRILLING AND AN UNORTHODOX OIL WELL
LOCATION, CHAVES COUNTY, NEW MEXICO

NOV 22 1989
OIL CONSERVATION DIVISION

APPLICATION FOR REHEARING OF
CURRY AND THORNTON
AND
STEVENS OPERATING CORPORATION,
OR, IN THE ALTERNATIVE, APPLICATION
FOR AMENDMENT OF ORDER NO. R-9035

COME NOW, CURRY AND THORNTON and STEVENS OPERATING
CORPORATION (hereinafter referred to as "Applicants") and for their Application for
Rehearing, or, in the alternative, Application for Amendment of Order No. R-9035, state:

1. The North King Camp-Devonian Pool was discovered in 1988 and Special

Pool Rules for this pool were promulgated by the Division, including provisions for 160-acre spacing and special well location requirements.

2. Applicants own the leasehold interest on the W/2 of Section 9, Township 14 South, Range 29 East and in Division Case 9617 sought authorization to drill a well thereon at an unorthodox location and to dedicate to the well a non-standard proration unit comprised of the E/2 W/2 of Section 9. This application was granted by Division Order No. R-8917 which penalized production from Applicants' well.

3. In Case 9670, Applicants sought authorization to reenter an existing well in the W/2 of Section 9 and directionally drill to the previously approved bottom hole location. This application was granted by Division Order No. R-8917-A.

4. Timely applications for rehearing were filed by Applicants and the cases were consolidated and heard de novo by the Commission on October 19, 1989.

5. The Commission entered Order No. R-9035 in these cases on November 2, 1989 and Applicants hereby seek a rehearing pursuant to N.M.Stat. Ann. §70-2-25 (1978) and in support of their application assert that Order No. R-9035 is invalid for, as more fully set out below, it is contrary to law; arbitrary, capricious and unreasonable and not supported by substantial evidence.

A. ORDER NO. R-9035 IS CONTRARY TO LAW FOR IT WILL RESULT IN THE DRILLING OF AN UNNECESSARY WELL THEREBY CAUSING WASTE.

Order No. R-9035 drastically reduces the allowable for the North King Camp-Devonian Pool. On the Santa Fe Exploration #1 Holmstrom well the allowable is reduced

from the standard 515 barrels of oil per day to a penalized 125 (.53 x 235) barrels per day. (Finding 23). The 49 barrels per day (.21 x 235) allowable of the #1 Deemar was a penalty from a recoverable reserves penalized allowable of 216 barrels per day (.21 x 1030) based on acre feet of pay. (Finding 14). The undrilled NE/4 was penalized from a recoverable reserves allowable of 268 barrels per day (.26 x 1030) to 61 barrels per day (.26 x 235).

The basis for this harsh reduction in allowables is that "allowables must be established which . . . discourage the drilling of additional wells which are not needed and would constitute waste." (Finding 21). The Commission is trying to discourage drilling of a well in the NE/4 of Section 9. By reducing #1 Holmstrom allowable to 25% of its former allowable and almost half its former producing rate of 213 barrels per day, the Commission has almost halved the cash flow to E/2 owners thus encouraging the drilling of another well in order to recover the cash flow lost by the unjustified lowering of allowables. The allowable of 61 barrels assigned to the NE/4 is insufficient to deter drilling since the well would pay out the cost of drilling in 22 months, would recover approximately 392,340 barrels of oil, yield some \$4,800,000 on an investment of \$600,000 or about 8 to 1 return on investment.

Since the purpose of reducing allowables is to prevent waste (Finding 21), and no waste will be prevented, the allowables should not be reduced on the basis of this factually false pretense which violates both the letter and spirit of the Oil and Gas Act.

B. ORDER NO. R-9035 IS ARBITRARY, CAPRICIOUS, UNREASONABLE AND CONTRARY TO LAW FOR, ALTHOUGH IT IS INTENDED TO "ENCOURAGE" VOLUNTARY UNITIZATION, IT CONTRAVENES THE COMMISSIONS' STATUTORY AUTHORITY.

The only basis in the Oil and Gas Act for allowable penalties are the prevention of waste and the protection of correlative rights. The harsh production penalties imposed by the unrequested low allowables set by Order No. R-9035 amounts to economic coercion which is unrelated to either waste prevention or to protection of correlative rights. Therefore, with no basis in statute, the reduced allowables are arbitrary, capricious and unreasonable.

The Commission, however, asserts that another basis for the allowable reduction is to "encourage voluntary unitization." (Finding 21). The sanction for not voluntarily unitizing the pool, however, is a reduction in cash flow from wells in the pool by 75% and an ultimate net revenue loss of 25% due to increased years of operating expense. When this loss is considered, it is clear that Order No. R-9035 does not "encourage" voluntary unitization but, instead, invokes the economic coercion of reduced income and loss of capital to force unitization of the pool.

New Mexico's forced unitization statute provides solely for secondary recover units unlike the one the Commission is "encouraging" here. N.M.Stat. Ann. §70-7-1 (1978). Since the Commission may only carry out those functions assigned to it by the legislature (See, Continental Oil Company v. Oil Conservation Commission, 70 N.M. 310, 373 P.2d 809, 818 (1962)), its use of economic coercion to force the unitization of this pool is contrary to the express provisions of the Statutory Unitization Act as well as clearly

contrary to its duties under the Oil and Gas Act. The reduced allowables are accordingly arbitrary, capricious and contrary to law.

C. ORDER NO. R-9035 VIOLATES APPLICANTS' DUE PROCESS RIGHTS.

The guarantees of procedural due process require that a person whose property is taken by state action be given notice and an opportunity to be heard in the proceedings which result in the taking.

The property loss to Applicants as a result of Commission Order No. R-9035 includes:

1. the actual loss of income, through the increased expenses of long delayed production resulting from low allowables and
2. the loss of the present worth of the oil and gas reserves through long delayed production caused by low allowables.

Attached as Exhibit A to this Application are Appraisal reports prepared by expert witness Scott Hickman after Order R-9035 was issued and based on the Commission's figure of 10,714 acre feet in the pool. These tables show the effects of the 49 BOPD allowable versus the proposed 200 BOPD allowable (not considering attic oil):

Allow. Barrels	Life Years	Initial Yearly Cash Flow	Reserves Barrels	Future Net Revenue	Discounted Present Worth @ 10%
49	31	\$ 244,425	567,000	\$7,388,335	\$2,417,967
200	10	\$1,034,630	676,000	\$9,241,645	\$6,206,521

This economic loss of 109,000 barrels, \$2 million actual and \$4 million present worth constitutes a deprivation of a protected property interest.¹

Neither applicants nor E/2 owners had notice that the Commission contemplated penalizing allowables in order to compel unitization. The public advertisements, previous hearings concerning the pool, previous practices by the Oil Conservation Division and Commission, and the lack of statutory authority or court cases authorizing unitization, all combined to leave all parties to this hearing completely unprepared to argue the merits of unitization or the coercive use of low allowables to induce unitization.

Without notice of the Commission's plans to reduce allowables and force the parties to "voluntarily" unitize, Applicants were unable to prepare and respond to this issue and their procedural due process rights were violated.

Applicants substantive due process rights were also violated. Substantive due process is defined as the guarantee that a persons property not be taken for arbitrary reasons. Here, the Commission's actions were designed to force unitization of this pool - - an action expressly outside the Statutory Unitization Act and the arbitrary low allowable for this pool set by Order No. 9035 amounts to an arbitrary taking of property in violation of Applicants substantive due process rights.

¹ This is the evidence that would have been presented by Applicants if they had received proper notice of the Commission intention to force unitization through allowable restrictions and will be presented if Rehearing is granted in this case.

D. THE COMMISSION'S EQUATING OF ACRE FEET AND RECOVERABLE RESERVES IS NOT SUPPORTED BY SUBSTANTIAL EVIDENCE, IS CONTRARY TO THE RECORD, AND IS ARBITRARY, CAPRICIOUS AND UNREASONABLE.

The Commission correctly followed New Mexico statute and the Continental decision by allocating production in this pool on the basis of recoverable reserves. However, its finding that oil pay or oil-saturated rock is approximately the same as recoverable reserves is in error for it fails to recognize that attic oil is not recoverable. (Finding 15).

Recoverable reserves means the oil underlying a tract recoverable by a well thereon. There are 65,000 barrels of oil in the SE/4 not recoverable by the Holmstrom #1 Well since these reserves lie above the top of that well in this water drive reservoir. This unrecoverable attic oil in the pool was discussed at length by witnesses and the Commissioners at the October 19, 1989 hearing. Transcript pages & lines: 49:3,6,7,8; 111:23-25; 153:10-24; 160:15-19; 252:16-25 through 256:8; Ahlen Exhibit 3: the "yellow green wedge shape" on the Holmstrom tract west and above the #1 Holmstrom; Hickman Exhibit 12 unnumbered lines 7 and 13.

The attic oil (listed in Hickman Exhibit 12, unnumbered Line 7, "Non-Productive Reservoir Volume," with a total of 878 acre feet) constitutes 8.2% of the 10,714 acre feet of Devonian Oil Pay recognized by the Commission in Finding 14(a). After deducting the .6% attributable to the Deemar #1, 7.6% of the total oil attributable to the E/2 of Section 9 is attic oil. Since the percentage of attic oil remains the same regardless of whether or not the Commission reduces the total acre feet to 10, 714 from the Hickman total of

15,004 acre feet, and since attic oil lies only at the structurally higher portions of the Holmstrom tracts, it is unaffected by the smaller areal extent found by the Commission.

Thus deducting the net 7.6% attic oil unrecoverable in the E/2 of Section 9 and the .6% from the Deemar in the W/2 of the Section, the recoverable reserves, excluding unrecoverable attic oil, would be as follows:

(a) Within the total field there are approximately 9835 acre feet of Devonian oil pay or oil saturated rock volume (10,714 acre feet minus Hickman Line 7 total of 878 acre feet attic oil.)

(b) Underlying the E/2 of Section 9 (Deemar #1), there is approximately 2,459 acre feet of recoverable Devonian oil pay or 25% of the recoverable reserves in the pool total for an allowable of 59 (.25 x 235) barrels of oil per day.

(c) Underlying the SE/4 of Section 9 (Holmstrom #1), there is approximately 5213 acre feet of recoverable Devonian oil pay or 53% of the recoverable reserves in the pool total for an allowable of 125 barrels of oil per day.

(d) Underlying the NE/4 of Section 9 there is approximately 2,163 acre feet of recoverable Devonian oil pay or 22% of the recoverable reserves in the pool total for an allowable of 56 barrels of oil per day.

The Commission qualifies its equation of recoverable oil and oil saturated rock with the condition that wells must be ". . . positioned to permit recovery." This condition does not save this erroneous finding since the wells in the E/2 of Section 9 are not positioned

to permit the recovery (Transcript citations above) thus the final wording itself contradicts the conclusion of the finding.

Of particular importance here is the statutory definition of correlative rights N.M.Stat. Ann. §70-2-17 (1978) which affords each owner in a pool "the opportunity to produce his just and equitable share of oil or gas . . . under his property . . ." The E/2 owners have not availed themselves of the opportunity to produce the oil under their tracts. The location of their well precludes recovery of this attic oil and, therefore, these unrecoverable reserves should not have been included in the allowable formula.

In this pool and on the record in this case, net acre feet of pay is not approximately the same thing as recoverable reserves. The Commission's finding that they are the same, is not supported by substantial evidence and, in fact, is contrary to it. The order is therefore arbitrary, capricious and unreasonable.²

WHEREFORE, CURRY AND THORNTON and STEVENS OPERATING CORPORATION pray that the Commission:

- A. Grant their Application for Rehearing of Cases 9617 and 9670,
- B. Or, in the alternative, amend Order No. R-9035 to provide for an allowable for the North King Camp-Devonian Pool based on the record of the October 19, 1989 Commission hearing as follows:

² Commission Finding 17 states "only unorthodox locations such as the Stevens well could drain . . . the attic oil . . ." This confirms that the attic oil is not recoverable by the #1 Holmstrom and proves the error of Finding 15 where the Commission concludes that net acre feet of pay is approximately the same as recoverable reserves.

1. A total pool allowable of 973 barrels of oil per day to be allocated as follows:

#1 Deemar: 25% Recoverable reserves and 242 barrels of oil
per day allowable

#1 Holmstrom: 53% recoverable reserves and 515 barrels of
oil per day allowable

NE/4: 22% recoverable reserves and 216 barrels of oil
per day allowable.

If the Commission finds for applicants on Rehearing grounds A, B and C here and above but against Applicants on ground D then Applicant prays that the Commission provide for an allowable as follows:

1. A total pool allowable of 1030 barrels of oil per day to be allocated as follows:

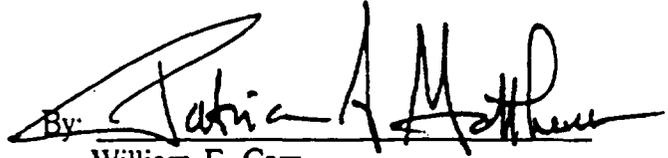
#1 Deemar: 21% of 1030 barrels or 216 barrels of oil per day

#1 Holmstrom: 53% of 1030 barrels or 546 barrels of oil
per day

NE/4: 26% of 1030 barrels or 268 barrels of oil per day

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

William F. Carr

Patricia A. Matthews

Attorneys for

CURRY AND THORNTON and STEVENS
OPERATING CORPORATION

STEVEN-DEEMAR FED -1
 N KING CAMP DEVONIAN
 CHARLES, NH
 (CASE B) NO UNIT; N/PLUGBACK
 49 BOPD Allowable

DATE: 11/09/89
 TIME: 10:07.50
 FILE: TSN
 GET: 3

RESERVES AND ECONOMICS

STEVENS OPERATING CO

AS OF NOVEMBER 1, 1989

T. SCOTT WICKHAM & ASSOC
 PETROLEUM ENGINEERS

-END- MO-YR	--GROSS PRODUCTION--			--NET PRODUCTION--			--PRICES--		--OPERATIONS, \$--			CAPITAL COSTS, \$	CASH FLOW BTAX, \$	10.00 PCT CUR. DISC BTAX, \$	
	OIL, MBBL	GAS, MMCF	MMCF	OIL, MBBL	GAS, MMCF	MMCF	OIL \$/B	GAS \$/M	NET OPER REVENUES	SEV+ADU+ MF TAXES	NET OPER EXPENSES				
12-89	2.981	.000		2.985	.000		19.00	.00	45.315	2.571	2.000	.000	40.744	40.422	
12-90	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	269.886	
12-91	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	478.490	
12-92	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	668.130	
12-93	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	840.530	
12-94	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	997.257	
12-95	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	1139.736	
12-96	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	1269.263	
12-97	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	1387.014	
12-98	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	1494.061	
12-99	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	1591.376	
12- 0	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	1679.844	
12- 1	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	1760.270	
12- 2	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	1833.384	
12- 3	17.885	.000		14.308	.000		19.00	.00	271.852	15.427	12.000	.000	244.425	1899.852	
S TOT	253.371	.000		202.697	.000		19.00	.00	3851.243	218.549	178.000	.000	3462.694	1899.852	
REN.	308.629	.000		246.903	.000		19.00	.00	4691.157	266.213	324.303	175.000	3925.641	2417.967	
TOTAL	562.000	.000		449.600	.000		19.00	.00	8542.400	484.762	494.303	175.000	7388.335	2417.967	
CUM.	5.000	.000							NET OIL REVENUES (\$)	8542.400			--PRESENT WORTH PROFILE--		
ULT.	567.000	.000							NET GAS REVENUES (\$)	.000			DISC	PI OF NET	
									TOTAL REVENUES (\$)	8542.400			RATE	BTAX, \$	
BTAX RATE OF RETURN (PCT)			100.00						PROJECT LIFE (YEARS)	31.423	.0	7388.335	30.0	931.24	
BTAX PAYOUT YEARS			.72						DISCOUNT RATE (PCT)	10.000	2.0	5554.028	35.0	814.35	
BTAX PAYOUT YEARS (DISC)			.05						GROSS OIL WELLS	1.000	5.0	3857.766	40.0	726.40	
BTAX NET INCOME/INVEST			43.22						GROSS GAS WELLS	.000	8.0	2862.000	45.0	657.82	
BTAX NET INCOME/INVEST (DISC)			214.00						GROSS WELLS	1.000	10.0	2417.967	50.0	602.82	
											12.0	2084.724	60.0	520.05	
INITIAL N.I. FRACTION			1.000000						INITIAL NET OIL FRACTION	.800000	15.0	1722.215	70.0	460.64	
FINAL N.I. FRACTION			1.000000						FINAL NET OIL FRACTION	.800000	18.0	1466.257	80.0	415.84	
PRODUCTION START DATE			11- 1-89						INITIAL NET GAS FRACTION	.000000	20.0	1334.819	90.0	380.81	
MONTHS IN FIRST LINE			2.00						FINAL NET GAS FRACTION	.000000	25.0	1093.945	100.0	352.63	

EXHIBIT A

STEVEN-DELMAR FED -1
 N KING CAMP DEVONIAN
 CRAWFORD, NH
 (CASE E) NO UNIT; N/PLUGBACK
 200 BOPD Allowable

DATE: 11/18/89
 TIME: 13:41.37
 FILE: TSN
 GET: 10

RESERVES AND ECONOMICS

STEVENS OPERATING CO

AS OF NOVEMBER 1, 1989

T. SCOTT NICHAM & ASSOC
 PETROLEUM ENGINEERS

-END- MO-YR	--GROSS PRODUCTION--			--NET PRODUCTION--			--PRICES--		--OPERATIONS, \$--			CAPITAL COSTS, \$	CASH FLOW BTAX, \$	10.00 PCT CUM. DISC BTAX, \$
	OIL, MBBL	GAS, MMCF	MMCF	OIL, MBBL	GAS, MMCF	MMCF	OIL \$/B	GAS \$/M	NET OPER REVENUES	SEV+ADU+ WF TAXES	NET OPER EXPENSES			
12-89	12.167	.000	9.734	.000	19.00	.00	184.946	10.495	2.000	.000	172.451	171.089		
12-90	73.000	.000	58.400	.000	19.00	.00	1109.600	62.970	12.000	.000	1034.630	1142.391		
12-91	73.000	.000	58.400	.000	19.00	.00	1109.600	62.970	12.000	.000	1034.630	2025.393		
12-92	73.000	.000	58.400	.000	19.00	.00	1109.600	62.970	12.000	.000	1034.630	2828.122		
12-93	73.000	.000	58.400	.000	19.00	.00	1109.600	62.970	12.000	.000	1034.630	3557.876		
12-94	73.000	.000	58.400	.000	19.00	.00	1109.600	62.970	12.000	.000	1034.630	4221.288		
12-95	73.000	.000	58.400	.000	19.00	.00	1109.600	62.970	12.000	.000	1034.630	4824.390		
12-96	73.000	.000	58.400	.000	19.00	.00	1109.600	62.970	12.000	.000	1034.630	5372.665		
12-97	73.000	.000	58.400	.000	19.00	.00	1109.600	62.970	12.000	.000	1034.630	5871.097		
12-98	49.916	.000	39.933	.000	19.00	.00	758.727	43.058	48.000	200.000	467.669	6075.389		
12-99	24.917	.000	19.934	.000	19.00	.00	378.746	21.494	32.767	.000	324.485	6206.521		
12- 0														
12- 1														
12- 2														
12- 3														
\$ TOT	671.000	.000	536.801	.000	19.00	.00	10199.219	578.807	178.767	200.000	9241.645	6206.521		
RENT	.000	.000	.000	.000	.00	.00	.000	.000	.000	.000	.000	6206.521		
TOTAL	671.000	.000	536.801	.000	19.00	.00	10199.219	578.807	178.767	200.000	9241.645	6206.521		
CUM.	5.000	.000					NET OIL REVENUES (\$)	10199.219			--PRESENT WORTH PROFILE--			
							NET GAS REVENUES (\$)	.000			DISC	PN OF NET		
ULT.	676.000	.000					TOTAL REVENUES (\$)	10199.219			RATE	BTAX, \$		
												DISC	PN OF NET	
												RATE	BTAX, \$	
BTAX RATE OF RETURN (PCT)			100.00				PROJECT LIFE (YEARS)	9.849	.0	9241.645	30.0	3555.533		
BTAX PAYOUT YEARS			.19				DISCOUNT RATE (PCT)	10.000	2.0	8464.151	35.0	3203.658		
BTAX PAYOUT YEARS (DISC)			.09				GROSS OIL WELLS	1.000	5.0	7479.182	40.0	2916.467		
BTAX NET INCOME/INVEST			47.21				GROSS GAS WELLS	.000	8.0	6668.706	45.0	2678.745		
BTAX NET INCOME/INVEST (DISC)			71.44				GROSS WELLS	1.000	10.0	6206.521	50.0	2479.454		
INITIAL N.I. FRACTION			1.000000				INITIAL NET OIL FRACTION	.800000	15.0	5263.381	70.0	1931.063		
FINAL N.I. FRACTION			1.000000				FINAL NET OIL FRACTION	.800000	18.0	4811.617	80.0	1749.843		
PRODUCTION START DATE			11- 1-89				INITIAL NET GAS FRACTION	.000000	20.0	4547.865	90.0	1605.960		
MONTHS IN FIRST LINE			2.00				FINAL NET GAS FRACTION	.000000	25.0	3993.435	100.0	1489.084		

CERTIFICATE OF SERVICE

I do hereby certify that I caused a true and correct copy of the Application for Rehearing of Curry and Thornton and Stevens Operating Corporation, etc. to be mailed to the following:

Ernest L. Padilla, Esq.
P.O. Box 2523
Santa Fe, New Mexico 87504

W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504-2265

W. Perry Pearce
P.O. Box 2307
Santa Fe, New Mexico 87504

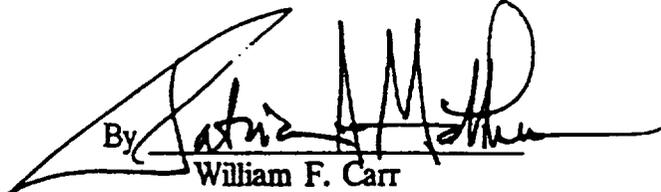
Deborah S. Dungan
P.O. Box 2307
Santa Fe, New Mexico 87504

Paul A. Cooter
P.O. Box 1357
Santa Fe, New Mexico 87504-1357

On this 22 day of November, 1989.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By 

William F. Carr

Patricia A. Matthews
P.O. Box 2208
Santa Fe, NM 87504-2208
(505) 988-4421

**ATTORNEYS FOR CURRY AND
THORNTON and STEVENS
OPERATING CORPORATION**

PADILLA & SNYDER
ATTORNEYS AT LAW
200 W. MARCY, SUITE 216
P.O. BOX 2523
SANTA FE, NEW MEXICO 87504-2523
—
(505) 988-7577

ERNEST L. PADILLA
MARY JO SNYDER

FAX 988-7592
AREA CODE 505

November 22, 1989

RECEIVED

NOV 22 1989

OIL CONSERVATION DIV.
SANTA FE

HAND DELIVERY

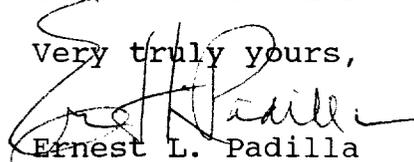
William LeMay, Chairman
Oil Conservation Commission
State Land Office Bldg.
Santa Fe, New Mexico 87501

Re: Cases 9617 and 9670; Order R-9035

Dear Mr. LeMay:

Enclosed please find Santa Fe Exploration Company's
Application for Rehearing of the above referenced cases.

Very truly yours,


Ernest L. Padilla

ELP:pmc

Enclosures

cc: Santa Fe Exploration Company (w/enc.)
William F. Carr, Esq. (w/enc.)
W. Thomas Kellahin, Esq. (w/enc.)
Paul A. Cooter, Esq. (w/enc.)
Deborah S. Dungan, Esq. (w/enc.)

RECEIVED

NOV 22 1989

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

OIL CONSERVATION DIV.
SANTA FE

APPLICATION OF CURRY AND THORNTON
FOR AN UNORTHODOX OIL WELL LOCATION
AND A NON-STANDARD PRORATION UNIT,
CHAVES COUNTY, NEW MEXICO.

CASE NO. 9617
(DE NOVO)

APPLICATION OF STEVENS OPERATING
CORPORATION TO AMEND DIVISION ORDER
NO. R-8917, DIRECTIONAL DRILLING AND
AN UNORTHODOX OIL WELL LOCATION,
CHAVES COUNTY, NEW MEXICO.

CASE NO. 9670
(DE NOVO)

Order No. R-9035

APPLICATION FOR REHEARING

Santa Fe Exploration Company (Santa Fe), based on the record before the Commission, hereby applies for rehearing of the above-stated cases and as grounds therefor states:

1. It is an aggrieved party, pursuant to Section 70-2-25(A) NMSA, 1978, from Order R-9035 issued by the Commission on November 2, 1989.

2. On December 9, 1988 the Oil Conservation Division (Division), after notice and hearing, issued its order No. R-8806 establishing the North King Camp Devonian Pool and establishing special rules and regulations for development of the pool.

3. Rules 2 and 4 of the North King Camp Devonian Pool state:

RULE 2: Each well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a governmental quarter-section being a legal subdivision of the United States Public Lands Survey.

RULE 4: Each well shall be located no nearer than 660 feet to the outer boundary of the proration unit or 330 feet to any governmental quarter-quarter section line or subdivision inner boundary; nor nearer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

4. On April 19, 1989 the Division issued its Order No. R-8917, on the application of Curry & Thornton for an exception to standard spacing and proration unit size requirements of Rule 2, and the well location requirements of Rule 4 of the North King Camp Devonian Pool. This order authorized Curry & Thornton to drill a well at an unorthodox location at a point 1980 FSL and 2475 FWL of Section 9, Township 14 South, Range 29 East, NMPM Chaves County, New Mexico, and would place the bottom hole location of the proposed well at a distance of approximately 165 feet from

the Santa Fe Exploration Company lease in the SE/4 of Section 9. The order also approved a non-standard spacing and proration unit consisting of the E/2 W/2 of Section 9.

5. Subsequent to the issuance of Order No. R-8917, and after a change of operator from Curry & Thornton to Stevens Operating Company (Stevens), Stevens filed an application for directional drilling which would allow Stevens to re-enter the Philex Oil Company Honolulu Federal Well No. 1 in Unit K of the SW/4 of Section and directionally drill to otherwise meet the requirements of Order No. R-8917. The Division granted the Stevens application by issuing Order R-8917-A.

6. Stevens made two attempts to directionally drill its well. The first attempt, which complied with the footage requirements of Order No. R-8917 resulted in a dry hole. Thereafter, without authority and without notice and hearing, Stevens commenced its second attempt at directional drilling this time obtaining oil production from approximately 65-70 feet of the Santa Fe lease line.

7. The second attempt at directional drilling was absolutely unlawful in that the Division violated its own orders and rules, and was done in a manner which denied Santa Fe due process and equal protection of law. No prior

notice of communications between Stevens and the Director of the Division were given to Santa Fe or of the authority given by the Division Director to Stevens to pursue the second attempt at directional drilling. The Division Director's purported authority to grant or allow the second attempt to directionally drill to its bottom hole location unlawfully violated Santa Fe's constitutional guarantee of equal protection of law by applying the special pool rules of the North King Camp Devonian Pool Rules and other applicable statutes and regulations of the Division in a discriminatory fashion.

8. The findings of the Commission in relation to apportionment of production attributable to the Stevens non-standard proration unit from an unorthodox location from the pool are not sufficiently extensive to show the basis of the Commission's order nor do such findings disclose the reasoning of the Commission in reaching its ultimate findings.

9. The findings of the Commission in relation to reduction of the oil allowables established by Order No. R-8806 are not supported by any credible evidence, are erroneous, capricious, and contrary to law, and are a collateral attack on the Division's rules for the North King Camp Devonian Pool, especially since Santa Fe dismissed its

Case No. 9697 to amend the North King Camp Devonian Pool special rules with respect to oil allowable.

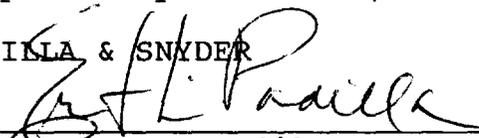
10. The finding of the Commission in relation to unitization, whether implied or expressed in Order R-9035, are contrary to law and are totally without foundation under the circumstances. The Commission's Order has the effect of force-unitizing the Stevens and Santa Fe lands in a manner which is confiscatory to Santa Fe.

11. Viewed as a whole, the Order of the Commission is arbitrary, capricious, grossly erroneous and willfully and deliberately violates the Division's applicable rules and statutes administered by the Division and the Commission, all of which invalidates the entire Order.

Wherefore, Santa Fe requests that the Commission grant this application for rehearing.

Respectfully submitted,

PADILLA & SNYDER

By: 

Ernest L. Padilla

P. O. Box 2523

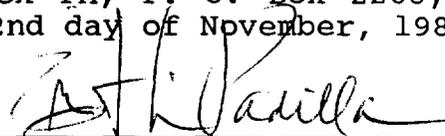
Santa Fe, New Mexico 87504-2523

(505) 988-7577

Attorneys for Santa Fe
Exploration

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Application For Rehearing was mailed first-class, postage prepaid to William F. Carr, Esq., Campbell & Black PA, P. O. Box 2208, Santa Fe, New Mexico 87504 on this 22nd day of November, 1989.



Ernest L. Padilla

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

November 2, 1989

POST OFFICE BOX 2068
STATE LAND OFFICE BUILDING
SANTA FE NEW MEXICO 87501
(505) 827-5800

Mr. William F. Carr
Campbell & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 9617 and 9670
ORDER NO. R-9035

Applicant:
Curry and Thornton and
Stevens Operating Corporation

Dear Sir:

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

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other Thomas Kellahin, Ernest L. Padilla, Patty Matthews,
Paul Cooter, Deborah Dunigan

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. 9670
ORDER NO. R-8917-A

APPLICATION OF STEVENS OPERATING CORPORATION
TO AMEND DIVISION ORDER NO. R-8917,
DIRECTIONAL DRILLING, AND AN UNORTHODOX
OIL WELL LOCATION, CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 10, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 18th day of May, 1989, 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-8917, dated April 19, 1989, the applicant in Case No. 9617, Curry and Thornton, was authorized to drill a well to test the North King Camp-Devonian Pool at an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico. Said Order also approved a 160-acre non-standard oil proration unit comprising the E/2 W/2 of Section 9 to be dedicated to the above-described well.

(3) Said Order No. R-8917 also set forth a penalty to be assessed against the top unit allowable assigned to the well by utilizing the following formula, based on the actual bottomhole location of the wellbore to be determined by a directional survey of the completed well:

- a. a penalty (P_1) based on the proportion of distance the actual location is moved toward the boundary from the standard location;

- b. a penalty (P_2) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of $(1-P_1) \times (1-P_2)$.

(4) The applicant in the immediate case, Stevens Operating Corporation, which has replaced Curry and Thornton as operator of the E/2 W/2 of said Section 9, now seeks to amend said Division Order No. R-8917, and in lieu of drilling a new well at the previously authorized unorthodox oil well location, be permitted to re-enter the plugged and abandoned Philtex Oil Company Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of said Section 9, wherein the applicant proposes to deviate said well so as to penetrate the North King-Camp Devonian Pool at an unorthodox bottomhole oil well location within 500 feet west of a point 1980 feet from the South line and 2475 feet from the West line of said Section 9.

(5) The subject well in this matter was spudded on November 3, 1961 and was drilled to a total depth of 9894 feet where it tested dry in the Devonian formation and was subsequently plugged and abandoned.

(6) The applicant proposes to re-enter said well and drill out the existing cement plugs to a depth of approximately 7474 feet, kick-off at this point due east, build angle to 15 degrees and hold to a measured depth of approximately 8913 feet, at which point the angle will be allowed to drop and return to vertical to a measured depth of approximately 9450 feet, whereby the hole will be allowed to build angle back and drift to the west bottoming at a true vertical depth of approximately 9710 feet in the Devonian formation approximately 330 feet west of the well's surface location.

(7) Should said well be a producer, it is the intent of this application that all survey and penalty provisions in the original Order No. R-8917 be fully applicable with respect to this well.

(8) Santa Fe Exploration Company, the offset operator to the east of the non-standard unit, appeared at the hearing and objected to the existing method of assessing a penalty on production from this well and proposed that the top unit allowable for this well, regardless of its location within the proposed target area, be set at a flat rate of 80 barrels of oil per day.

(9) the existence of a fault, downthrown to the west, which traverses the W/2 of said Section 9 in a north-south direction, resulting in only a small portion of the extreme east side of the E/2 W/2 of said Section 9 being potentially productive, as described in Case No. 9617 and further in this matter, makes it necessary for the applicant to crowd the east line of the unit to adequately drain those reserves underlying the unit. By utilizing an existing wellbore to directionally drill into the subject reservoir, the cost of developing this acreage

should be reduced; therefore approval of the subject application utilizing the penalty formula as outlined in said Order No. R-8917 and Finding Paragraph (3) above, will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk from drilling an excessive number of wells and will otherwise prevent waste and will serve to protect correlative rights in this situation.

(10) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct a multi-shot directional survey during or upon completion of drilling operations from the kick-off point to total depth.

(11) The applicant should be required to notify the supervisor of the Artesia district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant should further be required to provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

(12) The penalty should however be based on that portion of the total completion interval closest to the eastern boundary of the unit rather than the bottomhole location as provided for in Order No. R-8917 and in Finding Paragraph No. (3), above.

(13) Upon the successful directional drilling and completion of the subject well, said Division Order No. R-8917 should be placed in abeyance.

(14) However, if in the event re-entry into the Honolulu Federal Well No. 1 is unsuccessful, said Division Order No. R-8917 should remain in full force and effect and any other order resulting in the immediate case should become void and of no further effect.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Stevens Operating Corporation, is hereby authorized to re-enter the plugged and abandoned Philtex Oil Company Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico, and directionally drill, in the manner described in Finding Paragraph No. (6) of this order, so as to penetrate the North King Camp-Devonian Pool within 500 feet west of an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line of said Section 9.

PROVIDED HOWEVER THAT, prior to commencing directional drilling operations into said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT, during or upon completion of directional drilling operations, the applicant shall conduct a multi-shot directional survey from the kick-off point to total depth in order that the subsurface bottomhole location may be determined.

(2) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

(3) the E/2 W/2 of Section 9 shall be dedicated to the above-described well forming a previously authorized (R-8917) 160-acre non-standard oil spacing and proration unit for said pool.

(4) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(5) The depth bracket allowable for the well shall be penalized by using the following formula, based on that portion of the total completion interval which is closest to the eastern boundary of the unit.

- a. a penalty (P_1) based on the proportion of distance the actual location is moved toward the boundary from the standard location;
- b. a penalty (P_2) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of $(1-P_1) \times (1-P_2)$.

(6) Upon the successful directional drilling and completion of the subject well, Division Order No. R-8917, issued in Case No. 9617 and dated April 19, 1989, shall be placed in abeyance until further notice.

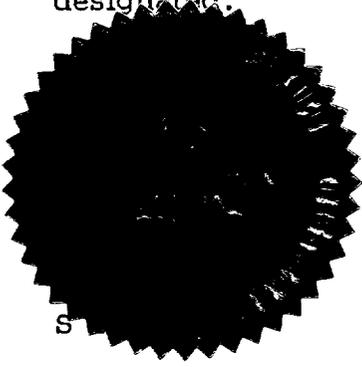
IT IS FURTHER ORDERED, HOWEVER, THAT:

(7) If in the event re-entry into the Honolulu Federal Well No. 1 is unsuccessful, said Division Order No. R-8917 shall remain in full force and effect and, at that time, the order in the immediate case (R-8917-A) shall become void and of no further effect.

(8) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 9670
Order No. R-8917-A
Page No. 5

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

21 September 1989

COMMISSION HEARING

IN THE MATTER OF:

In the matter of cases called on this
date and action taken without testimony
being presented.

CASES
9667
9543
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9697

*Transcript in
case 9667*

BEFORE: William J. Lemay, Chairman
William W. Weiss, Commissioner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Robert G. Stovall
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico

Dockets Nos. 32-89 and 33-89 are tentatively set for November 1 and November 15, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 18, 1989
8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner, or David R. Catanach, or Victor T. Lyon, Alternate Examiners:

CASE 9712: (Continued from October 4, 1989, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Tom L. Ingram, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Chappell "5" Well No. 1 located 2310 feet from the North line and 990 feet from the West line (Unit E) of Section 5, Township 12 North, Range 30 East, as projected into the unsurveyed Baca Location No. 2 Grant, San Miguel County, New Mexico (which is located approximately 9.25 miles north-northwest of Tucumcari, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 9713: (Continued from October 4, 1989, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Tom L. Ingram, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Gihon "31" Well No. 1 located 2970 feet from the South line and 1814 feet from the East line (Unit G) of Section 31, Township 13 North, Range 30 East, as projected into the unsurveyed Baca Location No. 2 Grant/Pablo Montoya Land Grant, San Miguel County, New Mexico (which is located approximately 10.5 miles north-northwest of Tucumcari, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 9778: Application of Heafitz Energy Management, Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Tres Amigos Unit Area comprising 3320 acres, more or less, of State and Federal lands underlying all or portions of Sections 9, 10, 15, 16, 20, 21, and 22, Township 26 South, Range 35 East. Said unit is located approximately 11 miles south-southwest of Jal, New Mexico.

CASE 9779: Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Woodstock State Unit Area comprising 1,758.82 acres, more or less, of State lands underlying all or portions of Sections 3, 4, 5, and 6, Township 9 South, Range 33 East. Said unit is located approximately 4.5 miles west by south of the point common to Lea, Chaves and Roosevelt Counties, New Mexico.

CASE 9738: (Reopened and Readvertised)

Application of Kelt Oil and Gas, Inc. for statutory unitization, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of establishing a secondary recovery project, all mineral interests in the designated and Undesignated Cato-San Andres Pool underlying 15,321.83 acres, more or less, of State, Federal, and Fee lands in Townships 8 and 9 South, Range 30 East. Said unit is to be designated the Cato Unit. Among the matters to be considered at the hearing will be the necessity of unit operation; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of the production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any nonconsenting working interest owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. Said unit area is located approximately 11 miles south-southeast of Boaz, New Mexico.

CASE 9780: Application of John H. Hendrix Corporation for an unorthodox gas well location and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 860 feet from the North line and 2100 feet from the East line (Unit B) of Section 11, Township 21 South, Range 36 East, Eumont Gas Pool, the N/2 NE/4 of said Section 11 to be dedicated to said well forming a non-standard 80-acre gas spacing and proration unit for said pool. Said location is approximately 1.6 miles east of Oil Center, New Mexico.

CASE 9726: (Continued from September 20, 1989, Examiner Hearing.)

Application of Haylan Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Ellenberger formation underlying the SW/4 of Section 25, Township 19 South, Range 38 East, forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing and the NE/4 SW/4 of said Section 25 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing (which presently includes but is not necessarily limited to the Undesignated House-Blinebry Pool, the Undesignated North House-Tubb Pool, the Undesignated Nadine Drinkard-Abo Pool and the Undesignated East Nadine-Drinkard Pool). Both aforementioned units are to be dedicated to a single well to be drilled at a standard location in the NE/4 SW/4 (Unit K) of said Section 25. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 1.3 miles east-northeast of Nadine, New Mexico.

CASE 9762: (Continued from October 4, 1989, Examiner Hearing.)

Application of TXO Production Corp. for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authorization to directionally drill from a surface location 900 feet from the South line and 1815 feet from the West line (Unit N) of Section 11, Township 20 South, Range 29 East, to a standard bottomhole oil well location in the Strawn formation within 50 feet of a point 825 feet from the North line and 1815 feet from the West line (Unit C) of Section 14, Township 20 South, Range 29 East, the NE/4 NW/4 of said Section 14 to be dedicated to said well forming a standard 40-acre oil spacing and proration unit for the Undesignated South Parkway-Strawn Pool. This well location is approximately 4.25 miles north-northwest of the junction of U.S. Highway 62/180 and New Mexico State Highway 31.

CASE 9763: (Continued from October 4, 1989, Examiner Hearing.)

Application of TXO Production Corp. for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authorization to directionally drill from a surface location 100 feet from the North line and 1500 feet from the East line (Unit B) of Section 15, Township 20 South, Range 29 East, to a standard bottomhole oil well location in the Strawn formation within 50 feet of a point 1815 feet from the North line and 825 feet from the East line (Unit H) of said Section 15, the SE/4 NE/4 of said Section 15 to be dedicated to said well forming a standard 40-acre oil spacing and proration unit for the Undesignated South Parkway-Strawn Pool. This well location is approximately 4 miles northwest of the junction of U.S. Highway 62/180 and New Mexico State Highway 31.

CASE 9781: Application of Oryx Energy Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the E/2 of Section 16, Township 18 South, Range 27 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent being developed on 320-acre spacing (which includes but is not necessarily limited to the Undesignated Red Lake-Pennsylvanian Gas Pool, Undesignated Red Lake Atoka-Morrow Gas Pool, Undesignated Scoggin Draw-Strawn Gas Pool, Undesignated Scoggin Draw-Atoka Gas Pool, and Undesignated Scoggin Draw-Morrow Gas Pool), said unit to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 6 miles south by east of Riverside, New Mexico.

CASE 9782: Application of Oryx Energy Company for an unorthodox location and compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 22, Township 22 South, Range 34 East, and in the following manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any

and all formations and/or pools developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated Antelope Ridge-Atoka Gas Pool, Undesignated Antelope Ridge-Morrow Gas Pool, Undesignated Ojo Chiso-Strawn Gas Pool, and Undesignated Ojo Chiso-Morrow Gas Pool); the SW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing; and the SW/4 SW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations developed on statewide 40-acre spacing. All of the above-described units are to be dedicated to a well to be drilled at an unorthodox location 1090 feet from the South line and 990 feet from the West line (Unit M) of said Section 22. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 5.5 miles north-northwest of the San Simon Sink.

CASE 9783: Application of Oryx Energy Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 26, Township 22 South, Range 34 East, and in the following manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated Antelope Ridge-Atoka Gas Pool, Undesignated Antelope Ridge-Morrow Gas Pool, Undesignated Ojo Chiso-Strawn Gas Pool, and Undesignated Ojo Chiso-Morrow Gas Pool); the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing; and the SW/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations developed on statewide 40-acre spacing. All of the above-described units are to be dedicated to a well to be drilled at a standard location in the SW/4 SE/4 (Unit O) of said Section 26. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 4 miles north-northwest of the San Simon Sink.

CASE 9784: Application of Oryx Energy Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 27, Township 22 South, Range 34 East, and in the following manner: the N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated Antelope Ridge-Atoka Gas Pool, Undesignated Antelope Ridge-Morrow Gas Pool, Undesignated Ojo Chiso-Strawn Gas Pool, and Undesignated Ojo Chiso-Morrow Gas Pool); the NW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing; and the NE/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations developed on statewide 40-acre spacing. All of the above-described units are to be dedicated to a well to be drilled at a standard location in the NE/4 NW/4 (Unit C) of said Section 27. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 5 miles north-northwest of the San Simon Sink.

CASE 9729: (Continued from August 23, 1989, Examiner Hearing.)

Application of Meridian Oil Inc. for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas spacing and proration unit comprising the NE/4 NW/4, S/2 NW/4, and the SW/4 of Section 24 and the SE/4 SE/4 of Section 23, both in Township 31 North, Range 12 West, Basin-Fruitland Coal Gas Pool. Said unit is to be dedicated to the East Well No. 102 to be located at a standard coal gas well location 1310 feet from the South line and 1490 feet from the West line (Unit N) of said Section 24, which is approximately 4.5 miles northwest of Aztec, New Mexico.

CASE 9771: (Continued from October 4, 1989, Examiner Hearing.)

Application of OGS Operating Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the following described acreage in Section 5, Township 24 South, Range 25 East, and in the following described manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools (Undesignated Dark Canyon-Pennsylvanian Gas Pool and Undesignated Mosley Canyon-Strawn Gas Pool) developed on 320-acre spacing; the SW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing; and, the SE/4 SW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on statewide 40-acre spacing. All of the above-described units are to be dedicated to a single well to be drilled at a standard location in the SE/4 SW/4 (Unit N) of said Section 5. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 5.25 miles northwest by north of White City, New Mexico.

- CASE 9785: Application of Arco Oil and Gas Company, a Division of Atlantic Richfield Company, for compulsory pooling and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Ellenberger formation underlying Lots 1 through 8 of Section 4, Township 21 South, Range 36 East, forming a non-standard 317.6-acre gas spacing and proration unit for any and all formations and/or pools developed within said vertical extent being developed on 320-acre spacing. Said unit is to be dedicated to a well to be drilled at a standard gas well location 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 4. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1.25 miles north by west of Oil Center, New Mexico.
- CASE 9786: Application of Harvey E. Yates Company for an exception to Division Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Division Order No. R-3221, as amended, to permit the disposal of water produced in conjunction with the production of oil and gas from its Lusk "16" State Lease into an unlined pit to be located in the SW/4 of Section 16, Township 19 South, Range 32 East. Said area is located approximately 7 miles north of Laguna Toston.
- CASE 9787: Application of Harvey E. Yates Company for compulsory pooling and directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated East Burton Flat-Strawn Gas Pool underlying the W/2 of Section 14, Township 20 South, Range 29 East, forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to a well to be directionally drilled from a surface location 760 feet from the South line and 1980 feet from the West line (Unit N) of Section 11, Township 20 South, Range 29 East, to a standard bottomhole gas well location within 100 feet of a point 2180 feet from the North line and 1880 feet from the West line (Unit F) of Section 14, Township 20 South, Range 29 East. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 4 miles north-northwest of the junction of U.S. Highway 62/180 and New Mexico State Highway 31.
- CASE 9773: (Continued from October 4, 1989, Examiner Hearing.)
- Application of Bran Oil Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the NW/4 of Section 33, Township 6 South, Range 26 East, forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing, which presently includes but is not necessarily limited to the Pecos Slope-Abo Gas Pool, said unit to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 15 miles west by north of Elkins, New Mexico.
- CASE 9788: Application of Yates Petroleum Corporation for directional drilling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authorization to directionally drill a well from a surface location of 563 feet from the South line and 2125 feet from the East line (Unit O) of Section 11, Township 20 South, Range 29 East, to an unorthodox bottomhole gas well location in the Morrow formation within 50 feet of a point 2480 feet from the North line and 1980 feet from the East line (Unit G) of Section 14, Township 20 South, Range 29 East, the E/2 of said Section 14 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for the Undesignated East Burton Flat-Morrow Gas Pool. This well location is approximately 4 miles north-northwest of the junction of U.S. Highway 62/180 and New Mexico State Highway 31.
- CASE 9700: (Readvertised)
- Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1 through 4, and the S/2 N/2 (N/2 equivalent) of Section 2, Township 20 South, Range 24 East, forming a standard 319.04-acre gas spacing and proration unit for any and all formations and/or pools developed within said vertical extent being developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated Dagger Draw-Strawn Gas Pool, Undesignated Dagger Draw-Atoka Gas Pool, Undesignated North Cemetery-Atoka Gas Pool, Undesignated Cemetery-Morrow Gas Pool, and the Undesignated Hoag Tank-Morrow Gas Pool) and Lots 3 and 4 and the S/2 NW/4 (NW/4 equivalent) of said Section 2 to form a standard 160-acre spacing and proration unit for all formations and/or pools developed on 160-acre spacing (which presently includes but is not necessarily limited to the Undesignated Dagger Draw-Wolfcamp Gas Pool and the

Undesignated North Dagger Draw-Upper Pennsylvanian Pool). Both aforementioned units are to be dedicated to a well to be drilled at a standard location 1980 feet from the North and West lines (Unit F) of said Section 2. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 8 miles west by north of Seven Rivers, New Mexico.

CASE 9725: (Continued from October 4, 1989, Examiner Hearing.)

Application of Yates Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location for its Red Rock "NB" Federal Well No. 2 to be drilled 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 28, Township 6 South, Range 25 East, Pecos Slope-Abo Gas Pool, the SW/4 of said Section 25 to be dedicated to said well forming a standard 160-acre gas spacing and proration unit for said pool. Said well location is approximately 13.25 miles north by west of the Pecos River Bridge on U.S. Highway 70.

CASE 9789: Application of Mobil Producing Texas and New Mexico Inc. for pool creation and special pool rules, or in the alternative for pool extension, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of oil from the Mancos formation comprising all of Section 15, Township 23 North, Range 1 West, and for the promulgation of special rules and regulations therefor including provisions for 640-acre spacing and proration units, designated well location requirements, and the assignment of a special depth bracket allowable. IN THE ALTERNATIVE, the applicant seeks to extend the West Puerto Chiquito-Mancos Oil Pool to include all of Sections 3, 10 and 15, Township 23 North, Range 1 West. Applicant further requests that the effective date of any order issued in this case be the date of this hearing. Said area is located approximately 3 miles north-northeast of Regina, New Mexico.

CASE 9790: Application of Mallon Oil Company for pool creation and special pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of gas from the Mesaverde formation comprising all of Sections 1 through 3, 10 through 15 and 22 through 24, Township 25 North, Range 2 West, and for the promulgation of special rules and regulations therefor including provisions for 320-acre spacing and proration units and designated well location requirements. Said area is bounded to the east by the Santa Fe National Forest and to the west by State Highway No. 95, extending three miles north and one mile south of Lindrith, New Mexico.

CASE 9791: Application of Bannon Energy Incorporated for extension and contraction of certain pools in Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks to contract the Lybrook-Gallup Oil Pool by the deletion of the NE/4 SW/4, S/2 SW/4, and SW/4 SE/4 of Section 31, Township 24 North, Range 6 West, to contract the Counselors Gallup-Dakota Oil Pool by the deletion of the NE/4 of Section 6 and N/2 of Section 5, both in Township 23 North, Range 6 West, and to extend the Escrito-Gallup Associated Pool to include therein the E/2 NE/4, NW/4, and S/2 of Section 31, Township 24 North, Range 6 West, and the NE/4 of Section 6 and N/2 of Section 5, both in Township 23 North, Range 6 West. This area is located approximately 3 miles northeast of the Southern Union Gas Company Lybrook Plant.

CASE 9792: Application of R. E. Hibbert for directional drilling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authorization to sidetrack from its existing Ridge State Well No. 1 located at a previously approved unorthodox gas well location (NSL-2551) 360 feet from the North line and 1980 feet from the West line (Unit C) of Section 17, Township 24 South, Range 25 East, and directionally drill to an unorthodox gas well location in the Mosley Canyon-Strawn Gas Pool within 50 feet of a point 360 feet from the North line and 980 feet from the West line (Unit D) of said Section 17, the S/2 of said Section 17 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool. This well is located approximately 4.5 miles northwest of Whites City, New Mexico.

CASE 9793: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, contracting, reclassifying, and extending certain pools in Lea County, New Mexico.

- (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the West Tonto-Delaware Pool. The discovery well is the Mitchell Energy Corporation Federal SB Well No. 1 located in Unit J of Section 12, Township 19 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 12: SE/4

- (b) RECLASSIFY the Oil Center-Glorieta Gas Pool in Lea County, New Mexico, to the Oil Center-Glorieta Oil Pool, because four of the five wells producing in this pool are classified as oil wells and because of low GOR's.

- (c) CONTRACT the Arrowhead-Grayburg Pool in Lea County, New Mexico, by the deletion of the following described area:
TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 18: SE/4
- (d) EXTEND the Antelope Ridge-Atoka Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM
Section 27: S/2
TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 14: E/2
- (e) EXTEND the East Gem-Morrow Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 23: S/2
Section 26: NE/4
- (f) EXTEND the Imperial Tubb-Drinkard Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 16: S/2
- (g) EXTEND the Langlie Mattix-Seven Rivers-Queen-Grayburg Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 18: SE/4
- (h) EXTEND the Lusk-Atoka Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 19: E/2
- (i) EXTEND the East Lusk-Bone Spring Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 25: W/2
Section 26: NE/4
- (j) EXTEND the West Lusk-Delaware Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 17: SE/4
- (k) EXTEND the Mescalero Escarpe-Bone Spring Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 15: SE/4
- (l) EXTEND the Nadine Drinkard-Abo Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM
Section 22: SE/4
- (m) EXTEND the Tonto-Seven Rivers Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 14: NW/4

DOCKET: COMMISSION HEARING - THURSDAY - OCTOBER 19, 1989

9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

CASE 9611: (De Novo) (Continued from August 17, 1989, Commission Hearing.)

Application of The Petroleum Corporation of Delaware for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 660 feet from the South and West lines (Unit M) of Section 1, Township 20 South, Range 29 East, Undesignated East Burton Flat-Morrow Gas Pool, the S/2 of Section 1 to be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool. Said location is approximately 3.5 miles west of the Eddy Potash Inc. Mine and Refinery. Upon application of The Petroleum Corporation of Delaware, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9617: (De Novo) (Continued from September 21, 1989, Commission Hearing.)

Application of Curry and Thornton for an unorthodox oil well location and a non-standard proration unit, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, Undesignated North King Camp-Devonian Pool, the E/2 W/2 of said Section 9 to be dedicated to a well forming a non-standard 160-acre oil spacing and proration unit for said pool. Said location is approximately 17 miles east of Hagerman, New Mexico. Upon application of Santa Fe Exploration Company and Curry and Thornton, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9670: (De Novo) (Continued from September 21, 1989, Commission Hearing.)

Application of Stevens Operating Corporation to amend Division Order No. R-8917, directional drilling and an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8917 to allow for re-entry of the currently plugged and abandoned Philtex Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, North King Camp-Devonian Pool, in lieu of drilling a new well at the unorthodox location approved by said Order. Applicant further seeks approval to directionally drill said Philtex Honolulu Federal Well No. 1 to a depth of approximately 9894 feet, and to bottom said well at an unorthodox bottomhole location at a point 1947 feet from the South line and 2562 feet from the West line of said Section 9. A 160-acre non-standard proration unit consisting of the E/2 W/2 of said Section 9. (Approved by Order No. R-8917) is to be dedicated to the above described well. Said location is approximately 17 miles east of Hagerman, New Mexico. Upon application of Santa Fe Exploration Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9697: (Continued from September 21, 1989, Commission Hearing.)

Application of Santa Fe Exploration Company for amendment of the special rules and regulations for the North King Camp-Devonian Pool, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks to amend Rule 6 of the Special Rules and Regulations for the North King Camp-Devonian Pool as promulgated by Division Order No. R-8806 by establishing a special depth bracket allowable of 350 barrels of oil per day for the pool (pursuant to General Rules 505[d]). Said pool presently comprises the SE/4 of Section 9, Township 14 South, Range 29 East and is located approximately 17 miles east of Hagerman, New Mexico.

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE'
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September 15, 1989

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

RECEIVED
SEP 15 1989
OIL CONSERVATION DIVISION

Re: Case No. 9617:
Application of Curry & Thornton for an Unorthodox Oil
Well Location and Non-Standard Proration Unit, Chaves
County, New Mexico

Case No. 9670:
Application of Stevens Operating Corporation to Amend
Division Order R-8917, Directional Drilling, and an
Unorthodox Oil Well Location, Chaves County, New Mexico

Case No. 9697:
Application of Santa Fe Exploration Company for Amendment
of the North-King Camp Devonian Oil Pool, Special Pool
Rules, Chaves County, New Mexico

Dear Mr. LeMay:

This letter is to request that the Commission hearings in each of
the above-referenced cases scheduled for September 21, 1989 be
continued and rescheduled in October, 1989.

This continuance will enable the parties to attempt to reach a
voluntary agreement for the development of the North King Camp
Devonian Oil Pool.

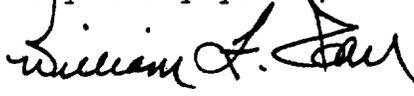
William J. LeMay, Director
Oil Conservation Division
September 15, 1989
Page Two

Ernest L. Padilla, attorney for Santa Fe Exploration Company joins with me in this request for continuance.

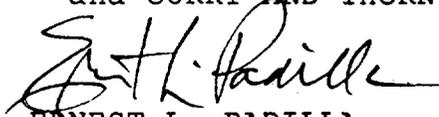
To avoid scheduling conflicts, Stevens Operating Corporation also requests, that the October hearings in these cases be set during the fourth week of October, 1989.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR STEVENS OPERATING CORPORATION
and CURRY AND THORNTON



ERNEST L. PADILLA
ATTORNEY FOR SANTA FE EXPLORATION COMPANY

WFC:mlh

Dockets Nos. 29-89 and 30-89 are tentatively set for October 4 and October 18, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 20, 1989
8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

The following cases will be heard before David R. Catanach, Examiner, or Michael E. Stogner, or Victor T. Lyon, Alternate Examiners:

CASE 9712: (Continued from September 6, 1989, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Tom L. Ingram, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Chappell "5" Well No. 1 located 2310 feet from the North line and 990 feet from the West line (Unit E) of Section 5, Township 12 North, Range 30 East, as projected into the unsurveyed Baca Location No. 2 Grant, San Miguel County, New Mexico (which is located approximately 9.25 miles north-northwest of Tucumcari, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 9713: (Continued from September 6, 1989, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Tom L. Ingram, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Gihon "31" Well No. 1 located 2970 feet from the South line and 1814 feet from the East line (Unit G) of Section 31, Township 13 North, Range 30 East, as projected into the unsurveyed Baca Location No. 2 Grant/Pablo Montoya Land Grant, San Miguel County, New Mexico (which is located approximately 10.5 miles north-northwest of Tucumcari, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 9757: Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Lagarto State Unit Area comprising 4,404.91 acres, more or less, of State lands underlying all of Sections 1, 12, 13, and 24, Township 11 South, Range 34 East and all or portions of Sections 6, 7, 18, and 19, Township 11 South, Range 35 East. This area is located approximately 11 miles northwest of Tatum, New Mexico.

CASE 9725: (Continued from September 6, 1989, Examiner Hearing.)

Application of Yates Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location for its Red Rock "NB" Federal Well No. 2 to be drilled 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 28, Township 6 South, Range 25 East, Pecos Slope-Abo Gas Pool, the SW/4 of said Section 25 to be dedicated to said well forming a standard 160-acre gas spacing and proration unit for said pool. Said well location is approximately 13.25 miles north by west of the Pecos River Bridge on U.S. Highway 70.

CASE 9700: (Continued from September 6, 1989, Examiner Hearing.)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1, 2, 3, and 4 and the S/2 N/2 (N/2 equivalent) of Section 2, Township 20 South, Range 24 East, forming a standard 319.04-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated Dagger Draw-Strawn Gas Pool, Undesignated Dagger Draw-Atoka Gas Pool, Undesignated North Cemetery-Atoka Gas Pool, Undesignated Cemetery-Morrow Gas Pool, and the Undesignated Hoag Tank-Morrow Gas Pool) and Lots 3 and 4 and the S/2 NW/4 (NW/4 equivalent) of said Section 2 to form a standard 159.64-acre spacing and proration unit for all formations and/or pools developed on 160-acre spacing (which presently includes but is not necessarily limited to the Undesignated Dagger Draw-Wolfcamp Gas Pool and the Undesignated North Dagger Draw-Upper Pennsylvanian Pool). Both aforementioned units are to be dedicated to a well to be drilled at a standard location 660 feet from the North line and 1980 feet from the West

CASE 9748: (Continued from September 6, 1989. Examiner Hearing.)

Application of Conoco Inc. for revision of Division Order No. R-5008 and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to revise the two Eunont Gas Pool proration units described in Division Order No. R-5008 to eliminate the 40-acre tract being the SW/4 NW/4 of Section 10, Township 20 South, Range 37 East, from said order and to establish a 640-acre non-standard gas proration unit comprising the SW/4 of Section 10 and the W/2 and W/2 E/2 of Section 15, both in said Township 20 South, Range 37 East, to be simultaneously dedicated to the Britt "B" Wells Nos. 3, 15, and 25 all located at previously approved unorthodox gas well locations in Unit L of Section 15, Unit M of Section 10, and Unit C of Section 15, respectively. Said unit is located approximately 3.5 miles south-southeast of Monument, New Mexico.

CASE 9762: Application of TXO Production Corp. for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authorization to directionally drill from a surface location 900 feet from the South line and 1815 feet from the West line (Unit N) of Section 11, Township 20 South, Range 29 East, to a standard bottomhole oil well location in the Strawn formation within 50 feet of a point 825 feet from the North line and 1815 feet from the West line (Unit C) of Section 14, Township 20 South, Range 29 East, the NE/4 NW/4 of said Section 14 to be dedicated to said well forming a standard 40-acre oil spacing and proration unit for the Undesignated South Parkway-Strawn Pool. This well location is approximately 4.25 miles north-northwest of the junction of U.S. Highway 62/180 and New Mexico State Highway 31.

CASE 9763: Application of TXO Production Corp. for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authorization to directionally drill from a surface location 100 feet from the North line and 1560 feet from the East line (Unit B) of Section 15, Township 20 South, Range 29 East, to a standard bottomhole oil well location in the Strawn formation within 50 feet of a point 1815 feet from the North line and 825 feet from the East line (Unit H) of said Section 15, the SE/4 NE/4 of said Section 15 to be dedicated to said well forming a standard 40-acre oil spacing and proration unit for the Undesignated South Parkway-Strawn Pool. This well location is approximately 4 miles northwest of the junction of U.S. Highway 62/180 and New Mexico State Highway 31.

CASE 9764: Application of Meridian Oil, Inc. for a highly-deviated directional drilling pilot project, unorthodox gas well location and an exception to Rule 2(b) of the Special Rules Governing the Blanco-Mesaverde Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to initiate a highly-deviated directional drilling pilot project in the equivalent E/2 (Lots 1, 2, 7, 8, 9, 10, 15, and 16) of Section 14, Township 30 North, Range 8 West, forming a 284.20-acre gas spacing and proration unit in the Blanco-Mesaverde Pool, by commencing its Howell "E" Well No. 2R at an unorthodox surface location 435 feet from the North line and 1555 feet from the East line of said Section 14, then drilling to a true vertical depth of approximately 3421 feet then commencing a medium radius curve in a southerly direction to encounter the top of the Blanco-Mesaverde Pool at a true vertical depth of approximately 4142 feet at which point the wellbore will be drilled to the base of the Blanco-Mesaverde Pool at a true vertical depth of approximately 5415 feet to a terminus at a standard bottomhole location in the SE/4 of said Section 14 being no closer than 790 feet from the outer boundary of the southern half of the subject proration unit. Applicant further seeks an exception to Rule 2(b) of the Special Rules and Regulations for the Blanco-Mesaverde Pool as promulgated by Division Order No. R-8170, as amended, allowing a third well to be drilled and produced on an existing proration unit in which are dedicated the Howell "E" Wells Nos. 2 and 2A located in Units A and P, respectively, of said Section 14. Said unit is located approximately 26 miles east of Aztec, New Mexico.

CASE 9765: Application of Meridian Oil, Inc. for a highly-deviated directional drilling pilot project, unorthodox gas well location and an exception to Rule 2(b) of the Special Rules Governing the Blanco-Mesaverde Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to initiate a highly-deviated directional drilling pilot project in the equivalent W/2 (Lots 3 and 4, the S/2 NW/4, and the SW/4) of Section 4, Township 30 North, Range 9 West, forming a 322.70-acre gas spacing and proration unit in the Blanco-Mesaverde Pool, by commencing its Riddle Well No. 1R at an unorthodox surface location 250 feet from the North line and 830 feet from the West line of said Section 4, then drilling to a true vertical depth of approximately 3830 feet then commencing a medium radius curve in a southerly direction to encounter the top of the Blanco-Mesaverde Pool at about 4550 feet at which point the wellbore will be drilled to the base of the Blanco-Mesaverde Pool at a true vertical depth of approximately 5750 feet to a terminus at a standard bottomhole location in the SW/4 of said Section 4 being no closer than 790 feet from the outer boundary

of the southern half of the subject proration unit. Applicant further seeks an exception to Rule 2(b) of the Special Rules and Regulations for the Blanco-Mesaverde Pool as promulgated by Division Order No. R-8170, as amended, allowing a third well to be drilled and produced on an existing proration unit in which are dedicated the Riddle Well Nos. 1 and 1-A located in Units D and L, respectively, of said Section 4. Said unit is located approximately 11 miles east of Aztec, New Mexico.

CASE 9746: (Readvertised)

Application of Richmond Petroleum Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the S/2 of Section 9, Township 32 North, Range 6 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit is to be dedicated to a well to be drilled at a standard coal gas well location in the SW/4 of said Section 9. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1/2 mile south of Mile Post No. 243 which is located on the Colorado/New Mexico stateline.

CASE 9756: (Continued from September 6, 1989, Examiner Hearing.)

Application of Bill Fenn, Inc. to amend Division Order No. R-8890, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8890, dated March 14, 1989, which authorized the applicant to dually complete its Roaring Springs Federal Com. Well No. 1 in the Indian Basin-Upper Pennsylvanian and Indian Basin-Morrow Gas Pools at an unorthodox gas well location 1650 feet from the North line and 990 feet from the West line (Unit E) of Section 14, Township 21 South, Range 23 East. By allowing the applicant to recomplete up the hole from the Morrow zone to the Strawn formation whereby said well would be dually completed in the Indian Basin-Upper Pennsylvanian Gas Pool and the Strawn formation. Said Order No. R-8890 is to be further amended to include authorization for an unorthodox gas well location in the Strawn formation, the N/2 of said Section 14 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for the Strawn interval. Said well is located approximately 1.25 miles north-northwest of the Marathon Oil Company Indian Basin Gas Plant.

CASE 9766: Application of Doyle Hartman for a non-standard gas proration unit and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location for its A.L. Christmas Well No. 1 to be drilled 990 feet from the North line and 450 feet from the West line (Unit D) of Section 18, Township 22 South, Range 37 East, Eumont Gas Pool, Lots 1, 2, 3, and 4 of said Section 18 to be dedicated to said well forming a non-standard 147.96-acre spacing and proration unit for said pool. This unit is located approximately 4.25 miles southwest of Eunice, New Mexico.

CASE 9767: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order extending certain pools in Rio Arriba, Sandoval, and San Juan Counties, New Mexico.

(a) EXTEND the Bisti-Lower Gallup Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 11 WEST, NMPM
Section 32: S/2 NW/4 and SW/4

TOWNSHIP 25 NORTH, RANGE 13 WEST, NMPM
Section 04: N/2 N/2

(b) EXTEND the South Bisti-Gallup Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 10 WEST, NMPM
Section 5: S/2 SE/4

- (c) EXTEND the Blanco-Pictured Cliffs Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 31 NORTH, RANGE 9 WEST, NMPM
Section 20: NE/4

- (d) EXTEND the Escrito-Gallup Oil Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM
Section 30: E/2 NW/4

- (e) EXTEND the Gavilan-Mancos Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM
Section 3: All

- (f) EXTEND the West Lindrith Gallup-Dakota Oil Pool in Rio Arriba and Sandoval Counties, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM
Section 28: S/2

- (g) EXTEND the Lybrook-Gallup Oil Pool in Rio Arriba, Sandoval and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM
Section 15: S/2 N/2 and S/2
Section 16: N/2 and N/2 SE/4

- (h) EXTEND the North Pinion-Fruitland Sand Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 12 WEST, NMPM
Section 29: NW/4

Docket 28-89

DOCKET: COMMISSION HEARING - THURSDAY - SEPTEMBER 21, 1989

9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

CASE 9768: In the matter of the hearing called by the Oil Conservation Division on its own motion to amend Rules 0.1, 106, 111, 117, 118, 301, 303, 309-C, 503, 505, 506, 509, 1100, 1113, 1122, and 1304 of the General Rules and Regulations for the New Mexico Oil Conservation Division. These changes are primarily to clarify language and do not change the impact of the rules. Copies of the proposed changes can be obtained from the Division's office in Santa Fe.

CASE 9769: In the matter of the hearing called by the Oil Conservation Division of the Energy, Minerals and Natural Resources Department on its own motion to amend General Rules 312 and 711 to require bonds for treating plants to be in place prior to the commencement of construction instead of at the time of application.

CASE 9667: (De Novo) (Continued and Readvertised.)

Application of Midland Phoenix Corporation for an unorthodox gas well location and compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, to form a standard 320-acre gas spacing and proration unit for both pools, to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit C) of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3 miles west-southwest of the Junction of Old State Highway No. 128 and County Road No. 2. Upon application of Enron Oil and Gas Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9543: (De Novo) (Continued and Readvertised.)

Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 16, Township 32 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its EPNG Com C Well No. 100 to be drilled at a standard gas well location in the NE/4 SW/4 (Unit K) of said Section 16. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3.1 miles north of Cedar Hill, New Mexico. Upon application of Fina Oil and Chemical Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9544: (De Novo) (Continued and Readvertised.)

Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 16, Township 32 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its Burroughs Com A Well No. 100 to be drilled at a standard gas well location in the SW/4 NE/4 (Unit G) of said Section 16. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3.1 miles north of Cedar Hill, New Mexico. Upon application of Fina Oil and Chemical Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9517: (De Novo) (Continued from August 17, 1989, Commission Hearing.)

Application of Curry and Thornton for an unorthodox oil well location and a non-standard proration unit. Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, Undesignated North King Camp-Devonian Pool, the E/2 W/2 of said Section 9 to be dedicated to a well forming a non-standard 160-acre oil spacing and proration unit for said pool. Said location is approximately 17 miles east of Hagerman, New Mexico. Upon application of Santa Fe Exploration Company and Curry and Thornton, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9670: (De Novo) (Continued and Readvertised.)

Application of Stevens Operating Corporation to amend Division Order No. R-8917, directional drilling and an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8917 to allow for re-entry of the currently plugged and abandoned Philtex Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, North King Camp-Devonian Pool, in lieu of drilling a new well at the unorthodox location approved by said Order. Applicant further seeks approval to directionally drill said Philtex Honolulu Federal Well No. 1 to a depth of approximately 9894 feet, and to bottom said well at an unorthodox bottoahole location at a point 1947 feet from the South line and 2562 feet from the West line of said Section 9. A 160-acre non-standard proration unit consisting of the E/2 W/2 of said Section 9. (Approved by Order No. R-8917) is to be dedicated to the above described well. Said location is approximately 17 miles east of Hagerman, New Mexico. Upon application of Santa Fe Exploration Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9697: (Continued from August 17, 1989, Commission Hearing.)

Application of Santa Fe Exploration Company for amendment of the special rules and regulations for the North King Camp-Devonian Pool, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks to amend Rule 6 of the Special Rules and Regulations for the North King Camp-Devonian Pool as promulgated by Division Order No. R-9806 by establishing a special depth bracket allowable of 350 barrels of oil per day for the pool (pursuant to General Rules 505(d). Said pool presently comprises the SE/4 of Section 9, Township 14 South, Range 29 East and is located approximately 17 miles east of Hagerman, New Mexico.

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

August 28, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5600

Campbell & Black, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

RE: Division Case No. 9670, Order No. R-8917-A, Application of Stevens Operating Corporation to amend Division Order No. R-8917, Directional Drilling and an Unorthodox Oil Well Location, Chaves County, New Mexico.

Dear Mr. Carr:

Upon reviewing the Eastman Christensen "Report of Sub-Surface Directional Survey" for the Stevens Operating Corporation Deemar Federal Well No. 1 located at a surface location 1974 feet from the South line and 1988 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, North King Camp Devonian Pool, Chaves County, New Mexico, the following penalty shall be assessed against the top unit allowable for this well, as promulgated by Decretory Paragraph No. 5 of said Order No. R-8917-A.

At the bottom-most perforated interval of 9642 feet (TVD) the location of the wellbore was found to be 1948 feet from the South line and 2562 feet from the West line (Unit K) of said Section 9 or 78 feet from the East line of the proration unit. Therefore, P_1 equals 660 feet minus 78 feet divided by 660, or:

$$P_1 = 582/660 = 0.882.$$

The closest well to the subject wellbore is the discovery well (referred to in Finding Paragraph No. 4 of R-8917) which is located 1980 feet from the South and East lines (Unit J) of said Section 9 is 739 feet apart. Therefore, P_1 equals 1320 feet minus 739 feet divided by 1320 or:

$$P_1 = 581/1320 = 0.440.$$

Campbell and Black, P.A.
August 28, 1989
Page 2

The top depth bracket allowable for a well in this pool is 515 barrels of oil per day (General Rule 505 (a)). Utilizing the penalty formula as described in said Order No. R-8917-A for this well:

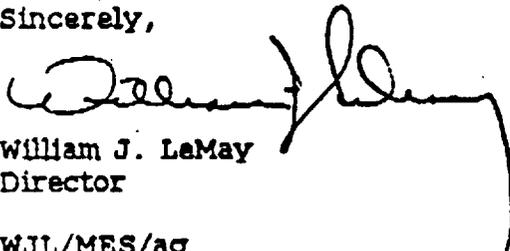
$$(1-P_1) \times (1-P_2) = (1-0.882) \times (1-0.440) = 0.0661 \text{ or } 6.61\%$$

This well shall be assigned a daily oil allowable as follows:

$$(0.0661)(515) = 34.04 \text{ barrels/day.}$$

The effective date for said penalty of this well's production shall be the date of first production.

Sincerely,



William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Artesia
Bob Stovall - Santa Fe
W. Thomas Kellahin - Santa Fe
~~Ernest Padilla - Santa Fe~~
Stevens Operating Corp. - Roswell

RECEIVED MAY 22 1989

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. 9670
ORDER NO. R-8917-A

APPLICATION OF STEVENS OPERATING CORPORATION
TO AMEND DIVISION ORDER NO. R-8917,
DIRECTIONAL DRILLING, AND AN UNORTHODOX
OIL WELL LOCATION, CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 10, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 18th day of May, 1989, 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-8917, dated April 19, 1989, the applicant in Case No. 9617, Curry and Thornton, was authorized to drill a well to test the North King Camp-Devonian Pool at an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico. Said Order also approved a 160-acre non-standard oil proration unit comprising the E/2 W/2 of Section 9 to be dedicated to the above-described well.

(3) Said Order No. R-8917 also set forth a penalty to be assessed against the top unit allowable assigned to the well by utilizing the following formula, based on the actual bottomhole location of the wellbore to be determined by a directional survey of the completed well:

- a. a penalty (P_1) based on the proportion of distance the actual location is moved toward the boundary from the standard location;

- b. a penalty (P_2) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of $(1-P_1) \times (1-P_2)$.

(4) The applicant in the immediate case, Stevens Operating Corporation, which has replaced Curry and Thornton as operator of the E/2 W/2 of said Section 9, now seeks to amend said Division Order No. R-8917, and in lieu of drilling a new well at the previously authorized unorthodox oil well location, be permitted to re-enter the plugged and abandoned Philtex Oil Company Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of said Section 9, wherein the applicant proposes to deviate said well so as to penetrate the North King-Camp Devonian Pool at an unorthodox bottomhole oil well location within 500 feet west of a point 1980 feet from the South line and 2475 feet from the West line of said Section 9.

(5) The subject well in this matter was spudded on November 3, 1961 and was drilled to a total depth of 9894 feet where it tested dry in the Devonian formation and was subsequently plugged and abandoned.

(6) The applicant proposes to re-enter said well and drill out the existing cement plugs to a depth of approximately 7474 feet, kick-off at this point due east, build angle to 15 degrees and hold to a measured depth of approximately 8913 feet, at which point the angle will be allowed to drop and return to vertical to a measured depth of approximately 9450 feet, whereby the hole will be allowed to build angle back and drift to the west bottoming at a true vertical depth of approximately 9710 feet in the Devonian formation approximately 330 feet west of the well's surface location.

(7) Should said well be a producer, it is the intent of this application that all survey and penalty provisions in the original Order No. R-8917 be fully applicable with respect to this well.

(8) Santa Fe Exploration Company, the offset operator to the east of the non-standard unit, appeared at the hearing and objected to the existing method of assessing a penalty on production from this well and proposed that the top unit allowable for this well, regardless of its location within the proposed target area, be set at a flat rate of 80 barrels of oil per day.

(9) the existence of a fault, downthrown to the west, which traverses the W/2 of said Section 9 in a north-south direction, resulting in only a small portion of the extreme east side of the E/2 W/2 of said Section 9 being potentially productive, as described in Case No. 9617 and further in this matter, makes it necessary for the applicant to crowd the east line of the unit to adequately drain those reserves underlying the unit. By utilizing an existing wellbore to directionally drill into the subject reservoir, the cost of developing this acreage

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Order No. R-8917-A
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should be reduced; therefore approval of the subject application utilizing the penalty formula as outlined in said Order No. R-8917 and Finding Paragraph (3) above, will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk from drilling an excessive number of wells and will otherwise prevent waste and will serve to protect correlative rights in this situation.

(10) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct a multi-shot directional survey during or upon completion of drilling operations from the kick-off point to total depth.

(11) The applicant should be required to notify the supervisor of the Artesia district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant should further be required to provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

(12) The penalty should however be based on that portion of the total completion interval closest to the eastern boundary of the unit rather than the bottomhole location as provided for in Order No. R-8917 and in Finding Paragraph No. (3), above.

(13) Upon the successful directional drilling and completion of the subject well, said Division Order No. R-8917 should be placed in abeyance.

(14) However, if in the event re-entry into the Honolulu Federal Well No. 1 is unsuccessful, said Division Order No. R-8917 should remain in full force and effect and any other order resulting in the immediate case should become void and of no further effect.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Stevens Operating Corporation, is hereby authorized to re-enter the plugged and abandoned Philtex Oil Company Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico, and directionally drill, in the manner described in Finding Paragraph No. (6) of this order, so as to penetrate the North King Camp-Devonian Pool within 500 feet west of an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line of said Section 9.

PROVIDED HOWEVER THAT, prior to commencing directional drilling operations into said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

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PROVIDED FURTHER THAT, during or upon completion of directional drilling operations, the applicant shall conduct a multi-shot directional survey from the kick-off point to total depth in order that the subsurface bottomhole location may be determined.

(2) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

(3) the E/2 W/2 of Section 9 shall be dedicated to the above-described well forming a previously authorized (R-8917) 160-acre non-standard oil spacing and proration unit for said pool.

(4) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(5) The depth bracket allowable for the well shall be penalized by using the following formula, based on that portion of the total completion interval which is closest to the eastern boundary of the unit.

- a. a penalty (P_1) based on the proportion of distance the actual location is moved toward the boundary from the standard location;
- b. a penalty (P_2) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of $(1-P_1) \times (1-P_2)$.

(6) Upon the successful directional drilling and completion of the subject well, Division Order No. R-8917, issued in Case No. 9617 and dated April 19, 1989, shall be placed in abeyance until further notice.

IT IS FURTHER ORDERED, HOWEVER, THAT:

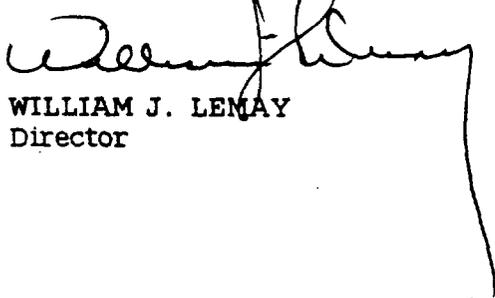
(7) If in the event re-entry into the Honolulu Federal Well No. 1 is unsuccessful, said Division Order No. R-8917 shall remain in full force and effect and, at that time, the order in the immediate case (R-8917-A) shall become void and of no further effect.

(8) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read 'William J. Lemay', is written over the typed name and title. The signature is contained within a large, hand-drawn rectangular box that extends downwards and to the right.

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:

CASE NO. 9617
ORDER NO. R-8917

APPLICATION OF CURRY AND THORNTON
FOR AN UNORTHODOX OIL WELL LOCATION
AND A NON-STANDARD PRORATION UNIT,
CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 1, 1989, at Santa Fe, New Mexico, before Examiner Victor T. Lyon.

NOW, on this 19th day of April, 1989, 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, Curry and Thornton, owns the leasehold on the W/2 of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico and desires to drill a well thereon for a non-standard unit consisting of the E/2 W/2 of said Section 9 at an unorthodox location 1980 feet from the South line and 2475 feet from the West line (Unit K) of said Section 9 in the King Camp-Devonian Pool.
- (3) Santa Fe Exploration and Exxon USA appeared at the hearing and opposed the subject application on the basis that the unorthodox location would impair correlative rights; and, if granted, a penalty should be assessed based upon an estimate of pool reserves under each tract.
- (4) The discovery well was drilled by Santa Fe Exploration at a standard location 1980 feet from the South and East lines of said Section 9.

11/89

(5) Special pool rules for said pool were promulgated by Order No. R-8806 after the hearing held in November, 1988 in Case No. 9529, and provided for 160-acre spacing and proration units consisting of a governmental quarter section with the well to be located not less than 660 feet from the unit boundary, nor less than 330 feet from an inner quarter-quarter section line, nor less than 1320 feet from the nearest well completed in said pool.

(6) Evidence was introduced in Case No. 9529 that there is a fault, down-thrown to the west, which traverses the W/2 of said Section 9 in generally a north-south direction continuing southward across Section 16. Additional evidence was introduced in this case which substantiates the existence of the fault.

(7) Santa Fe Exploration drilled a well east of the fault described above which was dry at a standard location 660 feet from the North line and 1980 feet from the East line of Section 16, one-half mile south of the discovery well. The revised geologic interpretation shows a second fault separating the second well from the first.

(8) Evidence indicates that approximately 60 acres east of the fault in the E/2 W/2 of Section 9 is potentially productive, and the applicant is entitled to drill a well to recover the reserves.

(9) A non-standard proration unit consisting of the E/2 W/2 would permit applicant to drill a single well to recover the oil under his lease, whereas two wells drilled for the NW/4 and SW/4 would be uneconomic, unnecessary and would cause waste from drilling an unnecessary well.

* (10) There is inadequate data available to make an estimate of reserves with sufficient precision upon which a penalty could be assessed.

(11) Applicant requests an exception to two of the spacing requirements - the minimum distance from the outer boundary of the proration unit and the minimum distance between wells.

(12) Evidence at the hearing indicated that it is necessary to crowd the east line of the proration unit in order to avoid the fault but that a well could be drilled at the minimum distance from the nearest well.

(13) A penalty (P_1) should be assessed for crowding the east line of the unit in proportion to the distance moved from a standard location toward that line or $495/660 = 0.75$.

(14) A further penalty (P_2) should be assessed for crowding the nearest well in proportion to the distance the well is moved toward the nearest well from the minimum distance permitted, or $495/1320 = 0.375$.

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(15) The combined penalties should be cumulative so that the proportion of the top allowable assigned at the proposed location would be $(1-P_1) \times (1-P_2)$, or $.25 \times .625 = .15625$.

(16) The distance moved toward the offsetting lease together with the depth of the well indicates a strong possibility the well may encroach even closer to the Santa Fe Exploration lease or even trespass on that lease, and therefore a continuous directional survey should be run on the well and a copy thereof filed with the Division so that the true location of the well at the productive interval can be determined.

(17) The penalty should be based upon the bottomhole location of the well using the procedure described in Finding Paragraphs (13) through (15), above.

(18) The drilling of the well with appropriate penalty as described above will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected 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 application of Curry and Thornton for an unorthodox oil well location for the North King Camp-Devonian Pool is hereby approved for a well to be located at a point 1980 feet from the South line and 2475 feet from the West line of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico.

(2) The E/2 W/2 of said Section 9 shall be dedicated to the above-described well forming a 160-acre non-standard oil spacing and proration unit for said pool.

(3) A continuous directional survey shall be run on the well and filed with the Division so that the bottomhole location at the producing interval may be determined.

(4) The depth bracket allowable for the well shall be penalized by using the following formula, based on the bottomhole location of the well:

- a. a penalty (P_1) based on the proportion of distance the actual location is moved toward the boundary from the standard location;

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Order No. R-8917
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- b. a penalty (P₁) based on the proportion of distance the actual location is moved toward the nearest well from the minimum distance under the pool rules; and
- c. the product of (1-P₁) x (1-P₂).

(5) 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

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

August 28, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800Campbell & Black, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

RE: Division Case No. 9670, Order
No. R-8917-A, Application of
Stevens Operating Corporation
to amend Division Order No. R-
8917, Directional Drilling and an
Unorthodox Oil Well Location,
Chaves County, New Mexico.

Dear Mr. Carr:

Upon reviewing the Eastman Christensen "Report of Sub-Surface Directional Survey" for the Stevens Operating Corporation Deemar Federal Well No. 1 located at a surface location 1974 feet from the South line and 1988 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, North King Camp Devonian Pool, Chaves County, New Mexico, the following penalty shall be assessed against the top unit allowable for this well, as promulgated by Decretory Paragraph No. 5 of said Order No. R-8917-A.

At the bottom-most perforated interval of 9642 feet (TVD) the location of the wellbore was found to be 1948 feet from the South line and 2562 feet from the West line (Unit K) of said Section 9 or 78 feet from the East line of the proration unit. Therefore, P_1 equals 660 feet minus 78 feet divided by 660, or:

$$P_1 = 582/660 = 0.882.$$

The closest well to the subject wellbore is the discovery well (referred to in Finding Paragraph No. 4 of R-8917) which is located 1980 feet from the South and East lines (Unit J) of said Section 9 is 739 feet apart. Therefore, P_2 equals 1320 feet minus 739 feet divided by 1320 or:

$$P_2 = 581/1320 = 0.440.$$

BEFORE THE	
OIL CONSERVATION DIVISION	
Santa Fe, New Mexico	
Case No. <u>9670</u>	Order No. <u>4</u>
Submitted by <u>SF Exploration</u>	
Hearing Date <u>10/19/89</u>	

Campbell and Black, P.A.
August 28, 1989
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The top depth bracket allowable for a well in this pool is 515 barrels of oil per day (General Rule 505 (a)). Utilizing the penalty formula as described in said Order No. R-8917-A for this well:

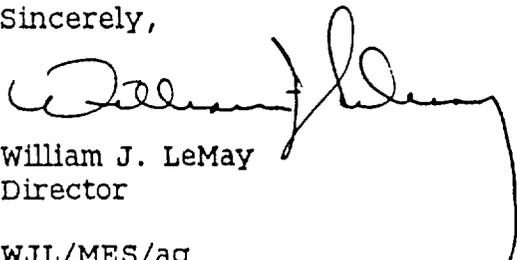
$$(1-P_1) \times (1-P_2) = (1-0.882) \times (1-0.440) = 0.0661 \text{ or } 6.61\%$$

This well shall be assigned a daily oil allowable as follows:

$$(0.0661)(515) = 34.04 \text{ barrels/day.}$$

The effective date for said penalty of this well's production shall be the date of first production.

Sincerely,



William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Artesia
Bob Stovall - Santa Fe
W. Thomas Kellahin - Santa Fe
~~Ernest Lopez Padilla - Santa Fe~~
Stevens Operating Corp. - Roswell

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date OCTOBER 19, 1989 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
W. Feller	Feller Feller & Arky	Santa Fe
Erst L. Padilla	Padilla + Syder	SF
Bob Huler	Byron	Santa Fe
William F. Jay	Campbell + Fleck	Santa Fe
Paul Coater	P. de, Law Firm	Santa Fe
William T. Duncan	EXXA	Midland
Vic Lyon	OCD	Santa Fe
Joe Mamy	self	New Orleans
Debrah Bryan	Santa Fe Engr	Midland
Cynthia Sullivan	New Mexico Oil Corporation	Santa Fe
Walter R. McAlpin	EXXA	Midland
	Santa Fe Exploration	Roswell

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date OCTOBER 19, 1989 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION