

HINKLE, COX, EATON, COFFIELD & HENSLEY OIL CONSERVATION DIVISION

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January 2, 1992

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LISA K. SMITH*
JAMES K. SCHUSTER*

*NOT LICENSED IN NEW MEXICO

Mr. Michael E. Stogner
New Mexico Oil Conservation
Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Mr. William F. Carr
P. O. Box 2208
Santa Fe, New Mexico 87504

Gentlemen:

Enclosed is a correction page three on my proposed Order in case No. 10,416 (Application of Presidio Exploration, Inc.). I detected a mistake in paragraph 10, where the production rates "per day" should be "per month."

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY

James Bruce
By: James Bruce

JB:le
Enclosure

(9) A well located in the NW $\frac{1}{4}$ of Section 1 will encounter better pore volume and additional reservoir rock than the existing Superior Fed. No. 9 Well. In addition, a well in the NW $\frac{1}{4}$ of Section 1 is expected to encounter additional zones not present in the Superior Fed. No. 9 Well, but which are present in and are being produced by, wells to the southwest of the proposed location.

(10) Continuous production from the eastern Pool commenced in January 1988, and the eastern Pool currently produces approximately 52,000 barrels of condensate per month and 147,000,000 cubic feet of gas per month. Water production in the eastern Pool is minimal, and there is little or no aquifer encroachment.

(11) Since production commenced in the eastern Pool, the gas:oil ratio has remained constant at approximately 3100. Increased production has never resulted in increased GOR.

(12) The eastern Pool is a depletion drive reservoir which does not exhibit retrograde condensation.

(13) Measured pressures in the eastern Pool have declined from approximately 4800 psi in 1988 to approximately 3300 psi in July 1991. However, the dew point in the eastern Pool is currently greater than 4500 psi.

(14) Applicant presented evidence that if actual reservoir pressure had declined 1500 psi, the GOR in the

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OIL CONSERVATION DIVISION

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December 27, 1991

*NOT LICENSED IN NEW MEXICO

VIA TELECOPY

Michael E. Stogner
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504

Re: Case No. 10,416; Application
of Presidio Exploration, Inc.

Dear Mr. Stogner:

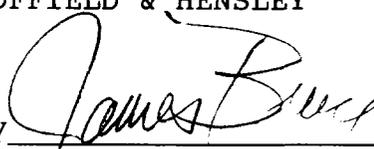
As you requested at hearing, enclosed is Presidio's proposed order. Presidio does not believe that producing the existing and proposed wells in alternate months (as suggested by Yates) is appropriate in this case. However, Presidio would not object to a limit on production from both the existing No. 9 Well and the proposed No. 10 Well. Presidio believes that a cap of 560 barrels per day for combined production from the wells would be fair. This figure is taken from Rule 505 for 160 acre oil units.

Please call me if you need anything further from Presidio.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY

By


James Bruce

JB/nlp

cc: William F. Carr, w/encl.
P. O. Box 2208
Santa Fe, NM 87504

**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:**

**APPLICATION OF PRESIDIO EXPLORATION,
INC. FOR SIMULTANEOUS DEDICATION
AND AN UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO.**

Case No. 10,416

Order No. R-_____

ORDER OF THE DIVISION (Proposed by Applicant)

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 19, 1991, in Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of January, 1992, 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) Applicant, Presidio Exploration, Inc., seeks an order allowing an exception to Division General Rule 104.C(2) to permit the simultaneous dedication of production from the East Burton Flat-Strawn Gas Pool from applicant's existing Superior Fed. No. 9 Well, located at a standard location 1830 feet from the North line and 1980 feet from

the East line (Unit G) of Section 1, Township 20 South, Range 29 East, N.M.P.M., and applicant's proposed Superior Fed. No. 10 Well, to be located at an unorthodox gas well location 1300 feet from the North and West lines (Unit D) of Section 1. Applicant also requests approval of the unorthodox well location.

(3) The designated unit for both wells is to be Lots 1, 2, 3, 4, and $S\frac{1}{2}N\frac{1}{2}$ ($N\frac{1}{2}$ equivalent) of Section 1, comprising 321.20 acres.

(4) At the hearing, Yates Petroleum Corporation appeared in opposition to the application.

(5) The Strawn reservoir in the East Burton Flat-Strawn Gas Pool is a low permeability carbonate. The reservoir in the eastern part of the Pool (hereinafter "the eastern Pool") is separated from the reservoir in the western part of the Pool by an updip permeability barrier.

(6) The algal mound carbonate buildup in the eastern Pool is oriented in a southwest-northeast direction.

(7) Algal mounds exhibit preferential matrix permeability and fracturing, and maximum drainage, parallel to the long axis of the buildup, which in this case is southwest-northeast.

(8) The preferential permeability and fracture orientation result in incomplete drainage of the $NW\frac{1}{4}$ of Section 1 by the existing wells in the eastern Pool.

(9) A well located in the NW $\frac{1}{4}$ of Section 1 will encounter better pore volume and additional reservoir rock than the existing Superior Fed. No. 9 Well. In addition, a well in the NW $\frac{1}{4}$ of Section 1 is expected to encounter additional zones not present in the Superior Fed. No. 9 Well, but which are present in and are being produced by wells to the southwest of the proposed location.

(10) Continuous production from the eastern Pool commenced in January 1988, and the eastern Pool currently produces approximately 52,000 barrels of condensate per day and 147,000,000 cubic feet of gas per day. Water production in the eastern Pool is minimal, and there is little or no aquifer encroachment.

(11) Since production commenced in the eastern Pool, the gas:oil ratio has remained constant at approximately 3100. Increased production has never resulted in increased GOR.

(12) The eastern Pool is a depletion drive reservoir which does not exhibit retrograde condensation.

(13) Measured pressures in the eastern Pool have declined from approximately 4800 psi in 1988 to approximately 3300 psi in July 1991. However, the dew point in the eastern Pool is currently greater than 4500 psi.

(14) Applicant presented evidence that if actual reservoir pressure had declined 1500 psi, the GOR in the

eastern Pool would have increased dramatically. However, an increase in GOR has not occurred.

(15) The witness for Yates Petroleum Corporation was unable to explain the constant GOR.

(16) Witnesses for applicant testified that the apparent pressure drop reflects fracturing, and not matrix pressures. The vast bulk of hydrocarbons are contained in the matrix.

(17) Applicant's testimony conforms to the actual reported production characteristics of the eastern Pool.

(18) Decline curve calculations for Section 1 indicate that the Superior Fed. No. 9 Well will produce 276,000 barrels of condensate and 1,278,000,000 cubic feet of gas, and applicant's Superior Fed. No. 8 Well, located in the S $\frac{1}{2}$ of Section 1, will produce 447,000 barrels of condensate and 1,594,000,000 cubic feet of gas.

(19) Volumetric calculations show that Section 1 contains approximately 1.1 million barrels of condensate and 5.0 billion cubic feet of gas.

(20) Approximately 340,000 barrels of condensate and 2,100,000,000 cubic feet of gas underlying Section 1 will remain undrained by the Superior Fed. No. 8 and No. 9 Wells. These reserves can be economically recovered by an infill well.

(21) Producing the proposed Superior Fed. No. 10 Well concurrently with the existing Superior Fed. No. 9 Well will not harm the reservoir or impair correlative rights.

(22) The East Burton Flat-Strawn Gas Pool is subject to 320 acre spacing under Division General Rule 104.C(2)(b). However, development in the eastern Pool has been on an effective 160 acre pattern, which is consistent with spacing for Strawn oil pools in the area.

(23) Acreage immediately offsetting the proposed Superior Fed. No. 10 Well will not be adversely affected by the unorthodox location and simultaneous dedication, for the following reasons: The N $\frac{1}{2}$ of Section 2 tested dry in the Strawn in the Chevron Eddy State No. 1 Well located in the NE $\frac{1}{4}$ of Section 2; the SE $\frac{1}{4}$ of Section 35 (19 South-29 East) is unproductive in the Strawn due to the permeability barrier; the NW $\frac{1}{4}$ and SE $\frac{1}{4}$ of Section 36 (19 South-29 East) are not productive in the Strawn based upon wells drilled thereon to the Strawn; and the proposed infill well does not encroach on the SW $\frac{1}{4}$ of Section 36 (19 South-29 East), and in fact said well may prove said acreage.

(24) Yates Petroleum Corporation's nearest well is the Anthill AAK St. No. 1 Well, located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ (Unit 0) of Section 2, which has been producing from the Strawn for three years. Yates' well is approximately one mile from applicant's proposed Superior Fed. No. 10 Well.

(25) Yates Petroleum Corporation owns a 25% working interest in the N½ of Section 1 but does not own any interest in the S½ of Section 1.

(26) There is insufficient data at this time to determine if infill drilling is proper for the entire eastern Pool.

(27) Applicant has shown compelling evidence that its correlative rights will be impaired and physical waste will occur unless simultaneous dedication is allowed and both wells are produced concurrently and continuously.

(28) The proposed simultaneous dedication will protect applicant's correlative rights by allowing it to produce, without waste, its equitable share of oil and gas in the eastern Pool.

IT IS THEREFORE ORDERED THAT:

(1) The application of Presidio Exploration, Inc. for simultaneous dedication and an unorthodox gas well location is hereby approved.

(2) Applicant is hereby authorized to drill its Superior Fed. No. 10 Well at an unorthodox gas well location 1300 feet from the North and West lines of Section 1, Township 20 South, Range 29 East, N.M.P.M., to a depth sufficient to test the Strawn formation (East Burton Flat-Strawn Gas Pool). If the Superior Fed. No. 10 Well is successfully completed in the Strawn formation, applicant is authorized to produce said well concurrently and

continuously from the Strawn formation with applicant's existing Superior Fed. No. 9 Well.

(3) The maximum producing rate for both wells combined shall be 560 barrels of condensate per day at a gas:oil ratio of 3100.

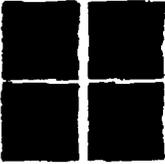
(4) The N $\frac{1}{2}$ of Section 1 shall be dedicated to both the above wells.

(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



HINKLE, COX, EATON, COFFIELD & HENSLEY

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TELECOPIER LEAD SHEET

12-4-91
(DATE)

PLEASE DELIVER THE FOLLOWING DOCUMENT

TO: David Catanach

COMPANY: OCIO

TELECOPIER: (505) 827-5741

TOTAL PAGES: 21 pgs (INCLUDING THIS COVER SHEET)

FROM: James Bruce

OPERATOR: Marg C/M#: 7024400-9150340

MESSAGE(S): HERewith THE FOLLOWING: _____

PLEASE CALL: () TO CONFIRM RECEIPT () AFTER REVIEW
() _____

CONFIRMATION

BY: _____ WITH: _____

DATE: _____ TIME: _____

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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ROY C. BONDURANT, JR. (1814-1887)

December 4, 1991

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VIA TELECOPY

Mr. David Catanach
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Case No. 10,416 (Application of Presidio Exploration, Inc.)

Dear Mr. Catanach:

Please continue the above case to the December 19th Examiner hearing. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY

By: James Bruce

JB:le

cc: William F. Carr (Via Telecopy)
Telecopy No. (505) 983-6043

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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BRADFORD C. BERGE
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December 27, 1991

HAND-DELIVERED

Mr. Michael E. Stogner
Chief Hearing Officer
New Mexico Oil Conservation Division
Department of Energy, Minerals
and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

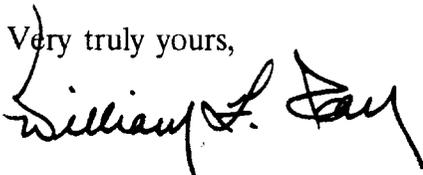
Re: New Mexico Oil Conservation Case No. 10416;
Application of Presidio Exploration, Inc. for an Unorthodox Gas Well
Location and Simultaneous Dedication, Eddy County, New Mexico

Dear Mr. Stogner:

Pursuant to your request of December 19, 1991, I am enclosing for your consideration the proposed Order of Yates Petroleum Corporation in the above-referenced case.

If you need anything further from Yates concerning this case, please advise.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosure

cc w/enc.: James G. Bruce, Esq.
Mr. David Boneau

RECEIVED
JAN 1 1992
OIL CONSERVATION DIVISION

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:

APPLICATION OF PRESIDIO EXPLORATION,
INC. FOR AN UNORTHODOX GAS WELL
LOCATION AND SIMULTANEOUS DEDICATION,
EDDY COUNTY, NEW MEXICO.

Case No. 10416
Order No. R-_____

**YATES PETROLEUM CORPORATION'S
PROPOSED ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 19, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of January, 1992, 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, Presidio Exploration, Inc. ("Presidio") seeks an exception to Division General Rule 104.C.(2) to allow for the simultaneous dedication of East Burton Flat-Strawn Gas Pool production from the Superior Federal Well No. 9 located at a standard gas well location 1,830 feet from the North line and 1,980 feet from the East line (Unit G) of Section 1, Township 20 South, Range 29 East, and from a new well to be drilled at an unorthodox gas well location 1,300 feet from the North and West lines (Unit D) of said Section 1. The North half equivalent of Section 1 comprised of 321.2 acres is the designated spacing unit for both wells.

(3) Yates Petroleum Corporation ("Yates"), an offsetting operator and interest owner in this pool and a working interest owner in the N/2 of Section 1, appeared in opposition to the application and requested the application of Presidio be denied. Santa Fe Energy Operating Partners, L.P., filed a written appearance in the case and appeared by counsel at the hearing.

(4) The Presidio Superior Federal Well No. 9 is located on the eastern flank of the East Burton Flat-Strawn Gas Pool and its drainage area cannot be estimated reliably because of the short time the well has produced.

(5) Pressure data demonstrates that wells in this pool, including Presidio's Superior Federal Well No. 9, drain large areas in excess of 320 acres.

(6) Approval of Presidio's application would effectively change the spacing in this pool from 320-acres to 160-acres and the data presented at the hearing does not support this change.

FINDING: The data presented is insufficient to support applicant's request for a second well on this spacing unit.

(7) Presidio failed to establish that the proposed well is necessary to produce the remaining reserves under the N/2 of Section 1.

FINDING: A second well in the N/2 of Section 1 is unnecessary, would cause waste and Presidio's application for approval of a second well in the N/2 of Section 1 should be denied.

(8) If a second well is necessary in the N/2 of Section 1, Presidio failed to show that it could not be drilled at a standard location. Presidio's application for an unorthodox gas well location in the N/2 of Section 1 should therefore be denied.

FINDING: If a second well is needed in the N/2 of Section 1, it could be drilled at a standard location.

(9) The East Burton Flat-Strawn Gas Pool is an unprorated gas pool.

Case No. 10416

Order No. _____

Page 3

(10) Presidio failed to present compelling evidence that its correlative rights would be impaired unless both its Superior Federal Well No. 9 and its proposed well in the N/2 of Section 1 are permitted to continuously and concurrently produce.

FINDING: Presidio failed to present compelling evidence that its correlative rights would be impaired unless both its Superior Federal Well No. 9 and its proposed well in the N/2 of Section 1 are permitted to continuously and concurrently produce and, pursuant to the Division Memorandum dated August 3, 1990 concerning multiple wells on spacing and proration units, Presidio's application for simultaneous dedication should be denied.

IT IS THEREFORE ORDERED:

(1) The application of Presidio Exploration, Inc. for an exception to Division General Rule 104.C.(2) to allow the simultaneous dedication of East Burton Flat-Strawn Gas Pool production from the Superior Federal Well No. 9 located at a standard gas well location 1,830 feet from the North line and 1,980 feet from the East line (Unit G) of Section 1, Township 20 South, Range 29 East, and from a new well to be drilled at an unorthodox gas well location 1,300 feet from the North and West lines (Unit D) of said Section 1 is hereby denied.

(2) Jurisdiction is hereby 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

HINKLE, COX, EATON, COFFIELD & HENSLEY

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*NOT LICENSED IN NEW MEXICO

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: Michael E. Stogner
COMPANY: Oil Conservation Division
FAX #: (505) 827-5741
RE: Case No. 10,416
FROM: James Bruce
TOTAL NUMBER OF PAGES: 9
DATE: 12/27/91
MESSAGE: Please see attached letter of even date.

Client/Matter No.: 7024400/9150340

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December 27, 1991

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VIA TELECOPY

Michael E. Stogner
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504

Re: Case No. 10,416; Application
of Presidio Exploration, Inc.

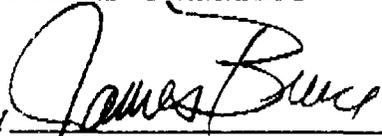
Dear Mr. Stogner:

As you requested at hearing, enclosed is Presidio's proposed order. Presidio does not believe that producing the existing and proposed wells in alternate months (as suggested by Yates) is appropriate in this case. However, Presidio would not object to a limit on production from both the existing No. 9 Well and the proposed No. 10 Well. Presidio believes that a cap of 560 barrels per day for combined production from the wells would be fair. This figure is taken from Rule 505 for 160 acre oil units.

Please call me if you need anything further from Presidio.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY

By 
James Bruce

JB/nlp
cc: William F. Carr, w/encl.
P. O. Box 2208
Santa Fe, NM 87504

**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:**

**APPLICATION OF PRESIDIO EXPLORATION,
INC. FOR SIMULTANEOUS DEDICATION
AND AN UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO.**

Case No. 10,416
Order No. R- _____

ORDER OF THE DIVISION (Proposed by Applicant)

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 19, 1991, in Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of January, 1992, 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) Applicant, Presidio Exploration, Inc., seeks an order allowing an exception to Division General Rule 104.C(2) to permit the simultaneous dedication of production from the East Burton Flat-Strawn Gas Pool from applicant's existing Superior Fed. No. 9 Well, located at a standard location 1830 feet from the North line and 1980 feet from

the East line (Unit G) of Section 1, Township 20 South, Range 29 East, N.M.P.M., and applicant's proposed Superior Fed. No. 10 Well, to be located at an unorthodox gas well location 1300 feet from the North and West lines (Unit D) of Section 1. Applicant also requests approval of the unorthodox well location.

(3) The designated unit for both wells is to be Lots 1, 2, 3, 4, and $S\frac{1}{2}N\frac{1}{2}$ ($N\frac{1}{2}$ equivalent) of Section 1, comprising 321.20 acres.

(4) At the hearing, Yates Petroleum Corporation appeared in opposition to the application.

(5) The Strawn reservoir in the East Burton Flat-Strawn Gas Pool is a low permeability carbonate. The reservoir in the eastern part of the Pool (hereinafter "the eastern Pool") is separated from the reservoir in the western part of the Pool by an updip permeability barrier.

(6) The algal mound carbonate buildup in the eastern Pool is oriented in a southwest-northeast direction.

(7) Algal mounds exhibit preferential matrix permeability and fracturing, and maximum drainage, parallel to the long axis of the buildup, which in this case is southwest-northeast.

(8) The preferential permeability and fracture orientation result in incomplete drainage of the $NW\frac{1}{4}$ of section 1 by the existing wells in the eastern Pool.

(9) A well located in the NW $\frac{1}{4}$ of Section 1 will encounter better pore volume and additional reservoir rock than the existing Superior Fed. No. 9 Well. In addition, a well in the NW $\frac{1}{4}$ of Section 1 is expected to encounter additional zones not present in the Superior Fed. No. 9 Well, but which are present in and are being produced by wells to the southwest of the proposed location.

(10) Continuous production from the eastern Pool commenced in January 1988, and the eastern Pool currently produces approximately 52,000 barrels of condensate per day and 147,000,000 cubic feet of gas per day. Water production in the eastern Pool is minimal, and there is little or no aquifer encroachment.

(11) Since production commenced in the eastern Pool, the gas:oil ratio has remained constant at approximately 3100. Increased production has never resulted in increased GOR.

(12) The eastern Pool is a depletion drive reservoir which does not exhibit retrograde condensation.

(13) Measured pressures in the eastern Pool have declined from approximately 4800 psi in 1988 to approximately 3300 psi in July 1991. However, the dew point in the eastern Pool is currently greater than 4500 psi.

(14) Applicant presented evidence that if actual reservoir pressure had declined 1500 psi, the GOR in the

eastern Pool would have increased dramatically. However, an increase in GOR has not occurred.

(15) The witness for Yates Petroleum Corporation was unable to explain the constant GOR.

(16) Witnesses for applicant testified that the apparent pressure drop reflects fracturing, and not matrix pressures. The vast bulk of hydrocarbons are contained in the matrix.

(17) Applicant's testimony conforms to the actual reported production characteristics of the eastern Pool.

(18) Decline curve calculations for Section 1 indicate that the Superior Fed. No. 9 Well will produce 276,000 barrels of condensate and 1,278,000,000 cubic feet of gas, and applicant's Superior Fed. No. 8 Well, located in the S $\frac{1}{4}$ of Section 1, will produce 447,000 barrels of condensate and 1,594,000,000 cubic feet of gas.

(19) Volumetric calculations show that Section 1 contains approximately 1.1 million barrels of condensate and 5.0 billion cubic feet of gas.

(20) Approximately 340,000 barrels of condensate and 2,100,000,000 cubic feet of gas underlying Section 1 will remain undrained by the Superior Fed. No. 8 and No. 9 Wells. These reserves can be economically recovered by an infill well.

(21) Producing the proposed Superior Fed. No. 10 Well concurrently with the existing Superior Fed. No. 9 Well will not harm the reservoir or impair correlative rights.

(22) The East Burton Flat-Strawn Gas Pool is subject to 320 acre spacing under Division General Rule 104.C(2)(b). However, development in the eastern Pool has been on an effective 160 acre pattern, which is consistent with spacing for Strawn oil pools in the area.

(23) Acreage immediately offsetting the proposed Superior Fed. No. 10 Well will not be adversely affected by the unorthodox location and simultaneous dedication, for the following reasons: The N $\frac{1}{2}$ of Section 2 tested dry in the Strawn in the Chevron Eddy State No. 1 Well located in the NE $\frac{1}{4}$ of Section 2; the SE $\frac{1}{4}$ of Section 35 (19 South-29 East) is unproductive in the Strawn due to the permeability barrier; the NW $\frac{1}{4}$ and SE $\frac{1}{4}$ of Section 36 (19 South-29 East) are not productive in the Strawn based upon wells drilled thereon to the Strawn; and the proposed infill well does not encroach on the SW $\frac{1}{4}$ of Section 36 (19 South-29 East), and in fact said well may prove said acreage.

(24) Yates Petroleum Corporation's nearest well is the Anthony AAK St. No. 1 Well, located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ (Unit G) of Section 2, which has been producing from the Strawn for three years. Yates' well is approximately one mile from applicant's proposed Superior Fed. No. 10 Well.

(25) Yates Petroleum Corporation owns a 25% working interest in the N½ of Section 1 but does not own any interest in the S½ of Section 1.

(26) There is insufficient data at this time to determine if infill drilling is proper for the entire eastern Pool.

(27) Applicant has shown compelling evidence that its correlative rights will be impaired and physical waste will occur unless simultaneous dedication is allowed and both wells are produced concurrently and continuously.

(28) The proposed simultaneous dedication will protect applicant's correlative rights by allowing it to produce, without waste, its equitable share of oil and gas in the eastern Pool.

IT IS THEREFORE ORDERED THAT:

(1) The application of Presidio Exploration, Inc. for simultaneous dedication and an unorthodox gas well location is hereby approved.

(2) Applicant is hereby authorized to drill its Superior Fed. No. 10 Well at an unorthodox gas well location 1300 feet from the North and West lines of Section 1, Township 28 South, Range 29 East, N.M.P.M., to a depth sufficient to test the Strawn formation (East Burton Flat-Strawn Gas Pool). If the Superior Fed. No. 10 Well is successfully completed in the Strawn formation, applicant is authorized to produce said well concurrently and

continuously from the Strawn formation with applicant's existing Superior Fed. No. 9 Well.

(3) The maximum producing rate for both wells combined shall be 560 barrels of condensate per day at a gas:oil ratio of 3100.

(4) The N $\frac{1}{2}$ of Section 1 shall be dedicated to both the above wells.

(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

State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
Santa Fe, New Mexico 87505



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

MATTHEW BACA
DEPUTY SECRETARY

March 13, 1992

HINKLE, COX, EATON,
COFFIELD & HENSLEY
Attorneys at Law
500 Marquette, NW
Suite 800
Albuquerque, New Mexico 87102

RE: CASE NO. 10416
ORDER NO. R-9644

Dear Sir:

Enclosed herewith are two copies of each of the above-referenced Division orders recently entered in the subject cases.

Sincerely,

A handwritten signature in cursive script, appearing to read "Florene Davidson".

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM - Carlsbad
William Carr

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