



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jen

Called 6/4/02
Well cannot
produce w/o it.
Lynn, Jim to
return on 6/10/02 nc.
figure it out

7504

February 13, 2001

Denied

Lori Wrotenbery

Director

Oil Conservation Division

RECEIVED
OCD - ARTESIA

Re: Administrative application for the creation of a non-standard 80-acre gas spacing and proration unit for wildcat Queen gas production to comprise the E/2 NE/4 of Section 15, Township 16 South, Range 28 East, NMPM, Eddy County, New Mexico.

Dear Mr. Bruce:

Reference is made to your application dated January 17, 2001 on behalf of the operator, Devon SFS Operating, Inc., for the formation of the above-described non-standard 80-acre gas spacing and proration unit for unprorated gas production from the Queen formation. This non-standard unit is to be dedicated to Devon SFS Operating, Inc.'s existing Crow Flats "15" Federal Com. Well No. 1 (API No. 30-015-26490) located at a standard location 2180 feet from the North line and 660 feet from the East line (Unit H) of Section 15.

Pursuant to Division Rule 104.A (1) (b), Queen gas production from the subject wellbore would be subject to Division Rule 104.C (3), which provides for 160-acre spacing, and being unprorated production, would also be subject to Rule 104.D (3), which provides for only one well within a standard drilling tract.

It is my understanding from the Division's records in Santa Fe and from the information provided that a portion of the remaining 80 acres comprising the W/2 NE/4 of Section 15 needed to complete a standard 160-acre unit (NE/4 of Section 15) is unleased State lands [being the SW/4 NE/4 (Unit G) of Section 15]. While it is true that government owned lands (unleased) can not be forced pooled under Section 70-2-17, N.M.S.A., 1978, this acreage can be leased.

The intentional deletion of unleased government land is not considered a reason to form a non-standard gas spacing and proration unit. Furthermore, you failed to show: (1) how correlative rights would best be served by severing the W/2 NE/4 of Section 15 from a standard 160-acre unit that should be formed within the NE/4 of Section 15; and (2) how waste would be prevented and how the drilling of an unnecessary well would be avoided should it be necessary for a well to be drilled in this severed acreage in order to prevent drainage that may be caused by the subject well from this undedicated tract. Especially in this case where that operator would only own 50% working interest with Santa Fe SFS Operating, Inc. owning the other 50% in this 80 acres.