

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

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

APR 12 1982

O. C. D.
ARTESIA, OFFICE

CASE No. 7522
Order No. R-6933

APPLICATION OF SANTA FE EXPLORATION
CO. FOR AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 31, 1982, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 5th day of April, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Santa Fe Exploration Co., seeks approval of an unorthodox gas well location 660 feet from the North line and 660 feet from the West line of Section 14, Township 20 South, Range 25 East, NMPM, to test the Permo-Penn, Strawn, Atoka and Morrow formations, Eddy County, New Mexico.

(3) That the N/2 of said Section 14 is to be dedicated to the well.

(4) That the applicant requested said unorthodox location on the grounds that it will improve its structural position with respect to the so-called "Boyd Channel," a north/south trending Morrow zone of higher than usual porosity and permeability traversing the western half of said Section 14, thereby increasing its chances of obtaining strong commercial production.

(5) That a standard location for a well in the western half of the N/2 of Section 14 would be in either the NE/4 NW/4 or the SE/4 NW/4 of said Section 14.

(6) That a non-commercial well has been drilled in the S/2 of Section 11 immediately to the north, and applicant is seeking to move as far as possible away from said well, thereby making the NE/4 NW/4 of Section 14 undesirable as a location for the proposed well.

(7) That a high pressure pipe line traverses Section 14, and a portion of said line passes in a northeast/southwest direction through the middle of the SE/4 NW/4 of the section.

(8) That a standard location for the N/2 of Section 14 in the SE/4 NW/4 of the section would be in the center of said quarter-quarter section at a point 1980 feet from the North line and 1980 feet from the West line of the section.

(9) That an unorthodox location 200 feet north and 200 feet west of the aforesaid location, or 1780 feet from the North line and 1780 feet from the West line should provide adequate clearance from the aforementioned high pressure pipe line and would, according to applicant's exhibits, be as geologically attractive as the proposed unorthodox location.

(10) That an offset operator appeared at the hearing and opposed approval of the proposed unorthodox location without assessment of a penalty against production from the proposed well, but waived objection to the unorthodox location described above, i.e., 1780 feet from the North line and 1780 feet from the West line of Section 14.

(11) That the applicant should be given the choice of drilling either of the aforesaid locations, the proposed unorthodox location 660 feet from the North line and 660 feet from the West line of Section 14, or 1780 feet from the North line and 1780 feet from the West line of Section 14.

(12) That in order to protect correlative rights and to offset the advantage gained over the offsetting operators, a well drilled at the 660/660 location described above should be penalized by the imposition of a production limitation factor.

(13) That a well at said proposed location is 100 percent of the standard distance from the north boundary of the spacing and proration unit, but is only 33 percent of the standard distance from the western boundary of the unit permitted by the Division Rules and Regulations.

(14) That a well at said proposed location will have an area of drainage which extends 66.7 more acres outside its proration unit than a well at a standard location, being 21 percent of a 320 acre unit and leaving 79 percent of the area of