

CASE 6252: HOLLY ENERGY, INC.
FOR AN UNORTHODOX GAS WELL LOCA-
TION, EDDY COUNTY, NEW MEXICO

CASE NO.

6252

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

STATE OF NEW MEXICO
EMERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
21 June 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Holly Energy, Inc.,) CASE
for an unorthodox gas well loca-) 6252
tion, Eddy County, New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Building
Santa Fe, New Mexico 87501

For the Applicant: Joel Carson, Esq.
LOSEE & CARSON, P.A.
Artesia, New Mexico

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
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Santa Fe, New Mexico 87501

I N D E X

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ROBERT E. BOLING

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MR. STAMETS: Call next Case 6262.

MS. TESCHENDORF: Case 6262. Application of Holly Energy, Inc., for an unorthodox gas well location, Eddy County, New Mexico.

MR. STAMETS: Call for appearances in this case.

MR. CARSON: Mr. Examiner, my name is Joel Carson, with Losee and Carson, P. A., Artesia, New Mexico, appearing on behalf of Holly Energy Corporation. I have one witness.

MR. STAMETS: I'd like to have the witness stand and be sworn, please.

(Witness sworn.)

ROBERT E. BOLING

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARSON:

Q Would you state your name, please?

A Robert E. Boling.

Q And, Mr. Boling, by whom are you employed?

A Holly Energy Company -- Corporation.

Q In what capacity?

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1 A. Consultant Geologist.

2 Q. Mr. Boling, have you previously testified be-
3 fore this Department?

4 A. I have.

5 Q. And have your qualifications been accepted?

6 A. Yes, sir.

7 MR. CARSON: Are the witness' qualifications
8 acceptable?

9 MR. STAMETS: They are.

10 Q. (Mr. Carson continuing.) Mr. Boling, would
11 you please state the purpose of this application?

12 A. Holly requests approval of an unorthodox gas
13 well location of its proposed Cowtown State Number 14-1,
14 to be drilled 990 feet from the north line and 660 feet
15 from the east line of Section 14, Township 18 South,
16 Range 28 East, Eddy County, New Mexico, with the north
17 half of Section 14 being dedicated to the well.

18 Q. Mr. Boling, I'll refer you to Applicant's
19 Exhibit Number One and ask if that was prepared under
20 your supervision?

21 A. Yes, sir.

22 Q. Would you explain what that shows?

23 A. Well, it's a land plat and it shows the loca-
24 tion relative to Holly's leaseholds and to the surrounding
25 lease owners.

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1 Now, the red -- the yellow is Holly's acreage and they
2 own 87-1/2 percent and Reed and Stevens owns 12-1/2 per-
3 cent of the yellow acreage.

4 And the pink is acreage that is dedicated to
5 the Harvey Yates Company Travis Deep Unit, of which Holly
6 has a minority interest.

7 And the green denotes acreage held by Depco
8 and Yates.

9 And orange is 100 percent Yates.

10 And then the blue, lavender, and dark green
11 is held by other individuals as shown on the plat.

12 Q Now, Mr. Boling, where it shows up here, it
13 says Depco and Yates Petroleum, that's -- that's down to
14 the what, top of the San Andres?

15 A Well, yes. Below that, why, there's --

16 Q There's also other owners?

17 A Yeah, Hondo, Depco and Yates, and Truskey (sic)
18 own the deep rights.

19 Q Okay. Mr. Boling, I'll refer you to Applicant's
20 Exhibit Number Two and ask you to explain what that shows.

21 A Exhibit Number Two is an isolith map of the
22 Middle Pennsylvanian Carbonate, showing the distribution
23 of the carbonate build-up in blue and porosity development
24 in the carbonate relative to the area of the carbonate
25 trend. You have the shelf margin running in a northeast-

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1 southwest direction and then we think that there's a
2 channel, a drainage channel cuts across at ninety degree
3 angle and causes this porosity to be in this Middle Penn-
4 sylvanian carbonate, and the reason we think so is because
5 this shelf margin runs all over the country out there
6 but seldom has any porosity in it.

7 Q I refer you to Applicant's Exhibit Number Three
8 and ask you to identify that, please.

9 A Exhibit Number Three is a combined isolith of
10 net clean sand in the Pennsylvanian-Middle Morrow clastic
11 with structural contours superimposed to show the rela-
12 tionship of the maximum sand to the structure in the area.

13 Q I refer you to Applicant's Exhibit Number Four
14 and ask that you explain that.

15 A Exhibit Number Four is a isolith map of net
16 clean sand in the Lower Morrow clastics, using yellow to
17 illustrate the maximum concentration of sand in this se-
18 quence.

19 Q Now I refer you to Exhibit Number Five and ask
20 you to explain that one.

21 A Exhibit Number Five shows the massive carbonates
22 which is oil productive in the Harvey Yates Company Travis
23 Unit Deep No. 2, which is on the right and then the Travis
24 Deep Unit No. 3 is presently being completed in the same
25 zone and subsequent to the preparation of this, I under-

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1 stand that this No. 3 Well flowed like 300 to 400 barrels
2 a day out of that -- this Middle Penn sand zone -- I mean
3 carbonate.

4 And this exhibit also shows the anticipated
5 equivalent carbonate zone in the proposed well out here on
6 the extreme left.

7 Q I now refer you to Exhibit Number Six and ask
8 you to explain what that shows.

9 A Exhibit Number Six shows the division of the
10 Middle and Lower Morrow clastic zones with clean sand
11 colored yellow and it shows the anticipated net clean sand
12 in the proposed well out here on the extreme left, colored
13 in yellow.

14 Q Okay. Now, Mr. Boling, were all these exhibits
15 prepared under your supervision?

16 A Yes, sir.

17 Q Now, would you please correlate these exhibits,
18 Number Two, Three, Six to explain to the Hearing Examiner
19 why we're requesting this unorthodox location?

20 A The purpose of requesting an unorthodox loca-
21 tion for the proposed well is to maximize the possibility
22 of encountering porous carbonates in the Middle Pennsyl-
23 vanian section and a maximum concentration of clean sand
24 in both the Middle and Lower Morrow clastic zones within
25 the preferred north half drilling proration unit.

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1 The absence of surface well control on the west
2 of Section 14 makes a location in the eastern side of this
3 section especially desirable, since the western limits
4 of the anticipated Middle Pennsylvanian Carbonate porosity
5 is unknown.

6 A maximum of clean sand in Lower Morrow clastics
7 is also anticipated at the proposed wellsite.

8 Q Mr. Boling, in your professional opinion will
9 the granting of this application prevent waste, protect
10 correlative rights, and prevent the drilling of unnecessary
11 wells?

12 A Yes, sir.

13 MR. CARSON: I'd like to move the introduction
14 of these exhibits, Mr. Examiner.

15 MR. STAMETS: These exhibits will be admitted.

16 MR. CARSON: We have no further questions.

17
18 CROSS EXAMINATION

19 BY MR. STAMETS:

20 Q Mr. Boling, is the Travis State Unit No. 2 an
21 oil well or a gas well?

22 A It's an oil well. It did not make a Morrow
23 gas well, but it's an oil well from this Middle Penn Car-
24 bonate section and on Exhibit, let's see, on Exhibit Six,
25 you know, the middle well is the Travis Unit No. 2 and you

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1 see there is practically no sand development there, as
2 opposed to 3, which has the nice sand development; the one
3 on the right is the 3, it has the nice sand development,
4 but the middle one doesn't.

5 What they did on the No. 3 was -- it is an
6 excellent Morrow gas well. They produced it sixty days
7 under the emergency for sales sixty days, and then they
8 shut it in and went back and tested the carbonate section.
9 It was tested while the well was drilling.

10 Q So the well location would be a standard oil
11 well location for this Middle Pennsylvanian section --

12 A This is correct.

13 Q -- and what you intend to do, then, is carry
14 that well on down from that point into the Morrow to
15 determine whether or not it's productive in the Morrow
16 Sands.

17 A Yes. The big reason for drilling it over
18 there is to have a shot at this Middle Penn Carbonate.

19 Q From what data did you infer this -- well,
20 let me go back.

21 On Exhibit Number Two you show in pink or red
22 the porosity zone. Now, is that the Middle Pennsylvanian
23 porosity zone?

24 A Yes, sir.

25 Q Now, on Exhibit Number Three and Exhibit Number

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1 Four you show sand development in the Morrow section, the
2 Middle and Lower.

3 What wells were those developments based on?

4 A Well, I think we can see the point. See, the
5 points are in black. See those where -- I'm looking now
6 at Exhibit Three. See the wells and those black numbers,
7 numbers in black, like, well, the Travis 2, for instance,
8 has 8 feet, see that?

9 Q Uh-huh.

10 A And that's -- looking at those wells what we
11 did is take the log, figure out what we're going to call
12 Middle Morrow and what we're going to call Lower Morrow,
13 and then on these isoliths you just go through and find
14 out how much sand you think in the Middle Morrow, put a
15 number on it and put them on the map, you know, and then
16 go around and isopac them.

17 Q I don't believe you have any wells drilled
18 into the middle of this northwest-southeast trending thick
19 zone, is that correct?

20 A Any wells drilled into it? Yes, sir. I mean
21 no, it is not correct. See all those wells up there in
22 the -- in 18 -- 17, 29, in 29, 30, 31, 32, and then in
23 18, 29, 5, and 6, and 7 and 8, all those wells penetrated
24 it but none of them had any porosity.

25 See, on Exhibit Two the wells with the big

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1 circles all penetrated it.

2 Q I was referring to Exhibit Number Three and
3 Number Four.

4 A Okay.

5 Q And the northwest-southeast trending sand
6 development is one that you've just inferred from your
7 interpretation of the geology, is that correct?

8 A Well --

9 Q There do not appear to be any wells drilled
10 into that at this time.

11 A Now, are you looking at Exhibit Number Three?

12 Q Yes. And this is the --

13 A Oh, you mean down there that long -- the long
14 skinny --

15 Q This is the one that I'm referring to, yes.

16 A Uh-huh. Well, that's right.

17 Q Okay.

18 A But we had the rest of the map, the rest of
19 the reason for that son-of-a-gun would be apparent, because
20 it's heading right up for the old Scanlon AB Well direction,
21 you know, which is in 29.

22 Q Uh-huh.

23 A That's the reason we've got it running that
24 direction. We'd like to have one like that.

25 Q Okay. Any other questions of the witness?

1 He may be excused.

2 Anything further in this case?

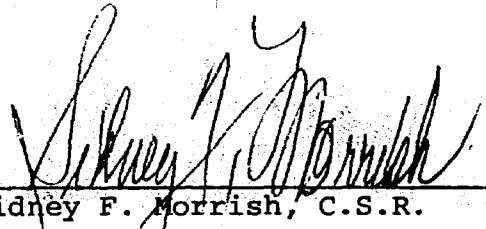
3 I'll take the case under advisement.

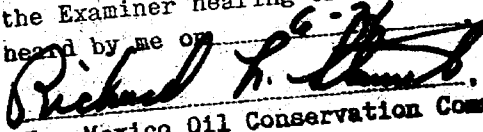
4 (Hearing concluded.)

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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill from my notes taken at the time of the hearing.


Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6252 heard by me on 6-14-78.

Richard H. Smith, Examiner
New Mexico Oil Conservation Commission

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6252
Order No. R-5756

APPLICATION OF HOLLY ENERGY, INC.,
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 June 21, 1978,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 29th day of June, 1978, 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, Holly Energy, Inc., seeks approval
of an unorthodox gas well location for its State 14 Well No. 1,
to be drilled at a point 990 feet from the North line and 660
feet from the East line of Section 14, Township 18 South, Range
28 East, NMPM, to test the Morrow formation, Eddy County, New
Mexico.

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

(4) That a well at said unorthodox location will better
enable applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed
unorthodox location.

(6) That approval of the subject application will afford
the applicant the opportunity to produce its just and equitable

-2-

Case No. 6252
Order No. R-5756

share of the gas in the subject 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:

- (1) That an unorthodox gas well location for the Morrow formation is hereby approved for the Holly Energy, Inc. State 14 Well No. 1 to be drilled at a point 990 feet from the North line and 660 feet from the East line of Section 14, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico.
 - (2) That the N/2 of said Section 14 shall be dedicated to the above-described well.
 - (3) That 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 herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



Joe D. Ramey
JOE D. RAMEY
Director

fd/

Dockets Nos. 22-78 and 23-78 are tentatively set for hearing on July 6 and 19, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 21, 1978

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for July, 1978, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for July, 1978, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6238: (Continued from June 7, 1978, Examiner Hearing)

Application of Barber Oil, Inc., for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Saladar Unit Area comprising 240 acres, more or less, of Federal and fee lands in Township 20 South, Range 28 East, Eddy County, New Mexico.

CASE 6226: (Continued from June 7, 1978, Examiner Hearing)

Application of Barber Oil, Inc., for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Saladar Unit, by the injection of water into the Yates formation through five wells located in Units K, L, N and O of Section 33, Township 20 South, Range 28 East, Saladar-Yates Pool, Eddy County, New Mexico.

CASE 6251: Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 27, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

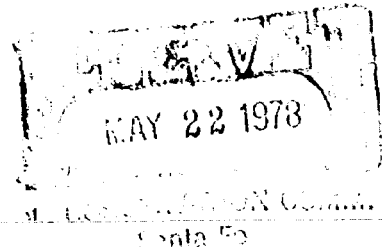
CASE 6252: Application of Holly Energy, Inc., for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State 14 Well No. 1, a Morrow test to be located 990 feet from the North line and 660 feet from the East line of Section 14, Township 18 South, Range 28 East, Eddy County, New Mexico, the N/2 of said Section 14 to be dedicated to the well.

CASE 6253: Application of Merrion & Bayless for a non-standard proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for 364.44-acre non-standard gas proration unit comprising the W/2 of Sections 30 and 31, Township 26 North, Range 2 West, Blanco Mesaverde Pool, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

CASE 6254: Application of Read & Stevens, Inc., for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Bone Spring formation underlying the W/2 SE/4 of Section 7, Township 19 South, Range 35 East, Scharb-Bone Spring Pool, Lea County, New Mexico, to be dedicated to a well drilled at an unorthodox 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6255: Application of Hanagan Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 8, Township 19 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

Holly Energy, Inc.
P. O. Box 726
Artesia, New Mexico 88210



May 18, 1978

Mr. Joe D. Ramey
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Case 6252

Attention: Mr. J. E. Kapteina

Re: Non-Standard Oil Well Location
Sec. 14, T-18-S, R-28-E
Eddy County, New Mexico
State 14-1

Gentlemen:

Holly Energy, Inc. respectfully requests that a hearing be called to consider Holly's application for a permit to drill State 14-1 at a non-standard location, which will require an exception to Paragraph C-II of Rule 104, New Mexico Oil Conservation Commission Rules and Regulations.

The requested location is 990 feet FNL and 660 feet FEL of Section 14, T-18-S, R-28-E. Rule 104, Paragraph CII requires that a well will be not closer than 1980 feet to the nearest end boundary.

The proposed well is projected to a depth of 11,500 feet to test the gas reservoirs to a depth sufficient to test the Morrow.

Your truly,

Robert Loyd
Robert Loyd
Superintendent

**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

All distances must be from the outer boundaries of the Section

MAY 22 1978
COUNTY CLAYTON

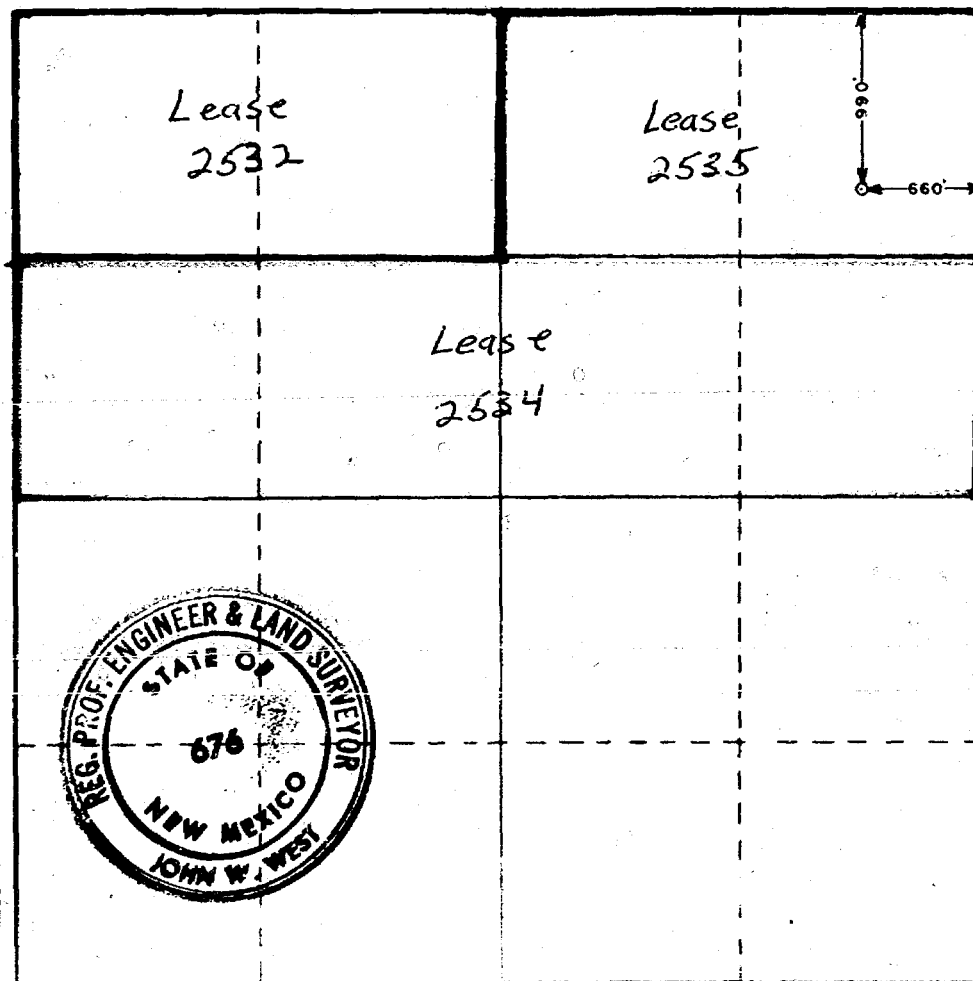
Operator Holly Energy Inc.			Lease State 14		
Unit Letter A	Section 14	Township 18South	Range 28East	County Eddy	Depth 50
Actual Footage Location of Well: 990 feet from the North line and 660 feet from the East line					
Ground Level Elev. 3602	Producing Formation Morrow	Pool Cowtown Morrow	Dedicated Acreage: 320 Acres		

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Robert Loyd

Name

Robert Loyd

Position

Superintendent

Company

Holly Energy Inc.

Date

May 18, 1978

I hereby certify that the well location shown on this plat 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

May 6, 1978

Registered Professional Engineer and/or Land Surveyor

John W. West

John W. West 676

Holly Energy, Inc.
P. O. Box 726
Artesia, New Mexico 88210

MAY 22 1978

May 18, 1978

Case 6252

Mr. Joe D. Ramey
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. J. E. Kapteina

Re: Non-Standard Oil Well Location
Sec. 14, T-18-S, R-28-E
Eddy County, New Mexico
State 14-1

Gentlemen:

Holly Energy, Inc. respectfully requests that a hearing be called to consider Holly's application for a permit to drill State 14-1 at a non-standard location, which will require an exception to Paragraph C-II of Rule 104, New Mexico Oil Conservation Commission Rules and Regulations.

The requested location is 990 feet FNL and 660 feet FEL of Section 14, T-18-S, R-28-E. Rule 104, Paragraph CII requires that a well will be not closer than 1980 feet to the nearest end boundary.

The proposed well is projected to a depth of 11,500 feet to test the gas reservoirs to a depth sufficient to test the Morrow.

Your truly,

Robert Loyd
Robert Loyd
Superintendent

Holly Energy, Inc.
P. O. Box 726
Artesia, New Mexico 88210

MAY 22 1978

May 18, 1978

Case 6252

Mr. Joe D. Ramey
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. J. E. Kapteina

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Sec. 14, T-18-S, R-28-E
Eddy County, New Mexico
State 14-1

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Robert Loyd
Superintendent

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

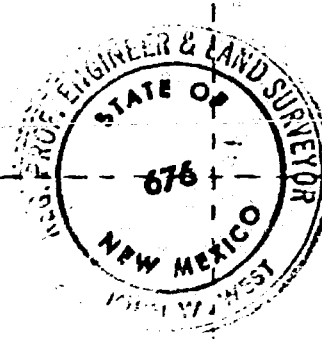
Operator Holly Energy Inc.		Lease State 14		
Init. Letter A	Section 14	Township 18South	Range 28East	County Eddy
Actual Footage Location of Well:				
990	feet from the North	line and	660	feet from the East
Ground Level Elev. 3602	Producing Formation Morrow	Pool Cowtown Morrow	Well Test Range 320	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

Lease 2532	Lease 2535
Lease 2534	
	

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Robert Loyd

Name

Robert Loyd

Position

Superintendent

Company

Holly Energy Inc.

Date

May 18, 1978

I hereby certify that the well location shown on this plat 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

May 6, 1978

[Signature]

44-1000
MAY 22 1978

Holly Energy, Inc.
P. O. Box 726
Artesia, New Mexico 88210

May 18, 1978

Mr. Joe D. Ramey
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088.
Santa Fe, New Mexico 87501

Attention: Mr. J. E. Kapteina

Re: Non-Standard Oil Well Location
Sec. 14, T-18-S, R-28-E
Eddy County, New Mexico
State 14-1

Gentlemen:

Holly Energy, Inc. respectfully requests that a hearing be called to consider Holly's application for a permit to drill State 14-1 at a non-standard location, which will require an exception to Paragraph C-II of Rule 104, New Mexico Oil Conservation Commission Rules and Regulations.

The requested location is 990 feet FNL and 660 feet FEL of Section 14, T-18-S, R-28-E. Rule 104, Paragraph CII requires that a well will be not closer than 1980 feet to the nearest end boundary.

The proposed well is projected to a depth of 11,500 feet to test the gas reservoirs to a depth sufficient to test the Morrow.

Your truly,

Robert Loyd
Robert Loyd
Superintendent

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Operator Holly Energy Inc.		Lease State 14		Well 1
Unit Letter A	Section 14	Township 18South	Range 28East	County Eddy
Actual Footage Location of Well:				
990	feet from the North	line and	660	feet from the East
Ground Level Elev. 3602	Producing Formation Morrow	Post Cowtown Morrow	Section Area 320	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

Lease 2532	Lease 2535
Lease 2534	

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Robert Loyd

Signature

Robert Loyd

Position

Superintendent

Company

Holly Energy Inc.

Date

May 18, 1978

I hereby certify that the well location shown on this plat 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

May 6, 1978

Signature of Surveyor

John W. West

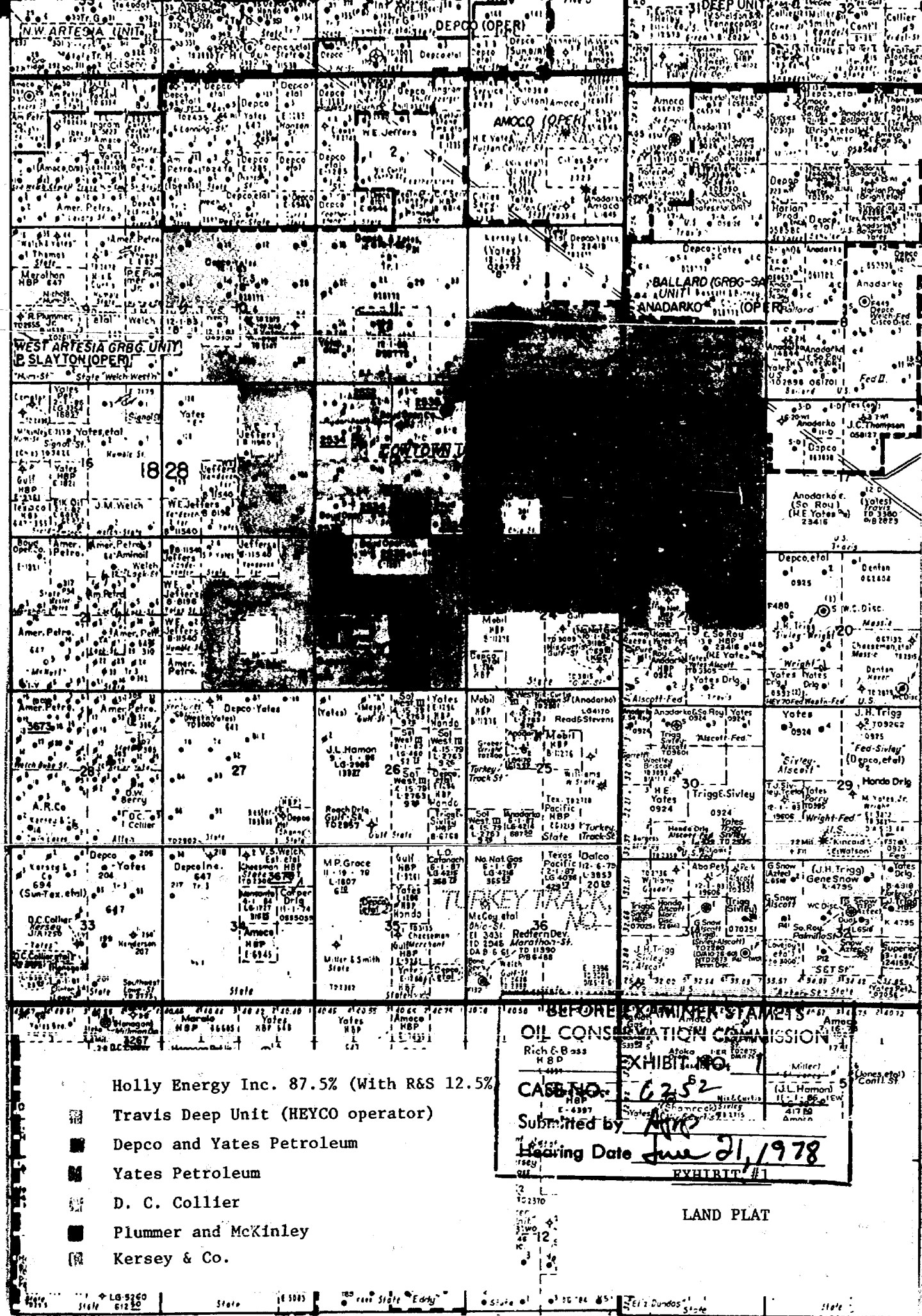


EXHIBIT #2

MIDDLE PENNSYLVANIAN CARBONATE
ISOLITH

CARBONATE BANK TREND
POROSITY DEVELOPED

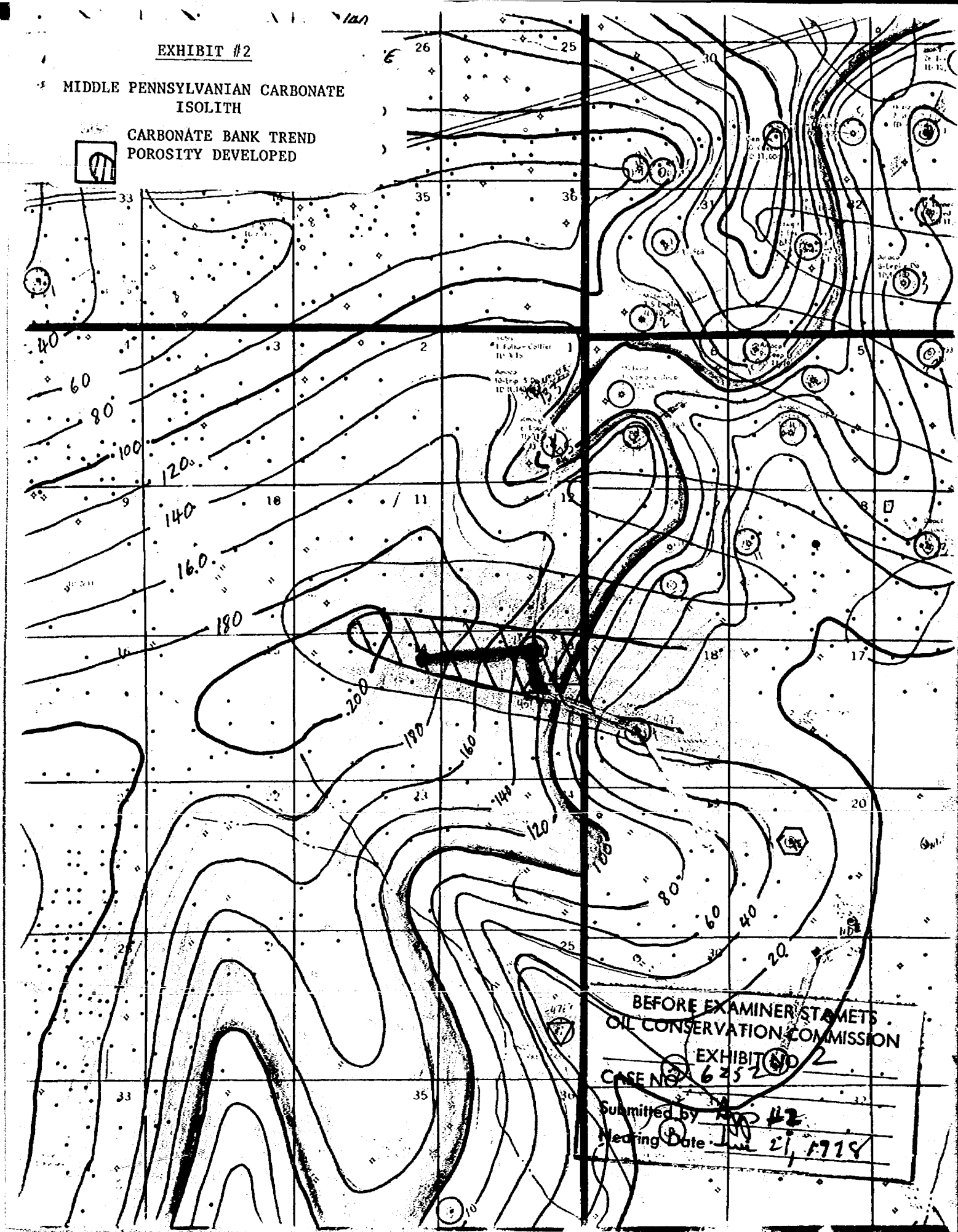


EXHIBIT #3

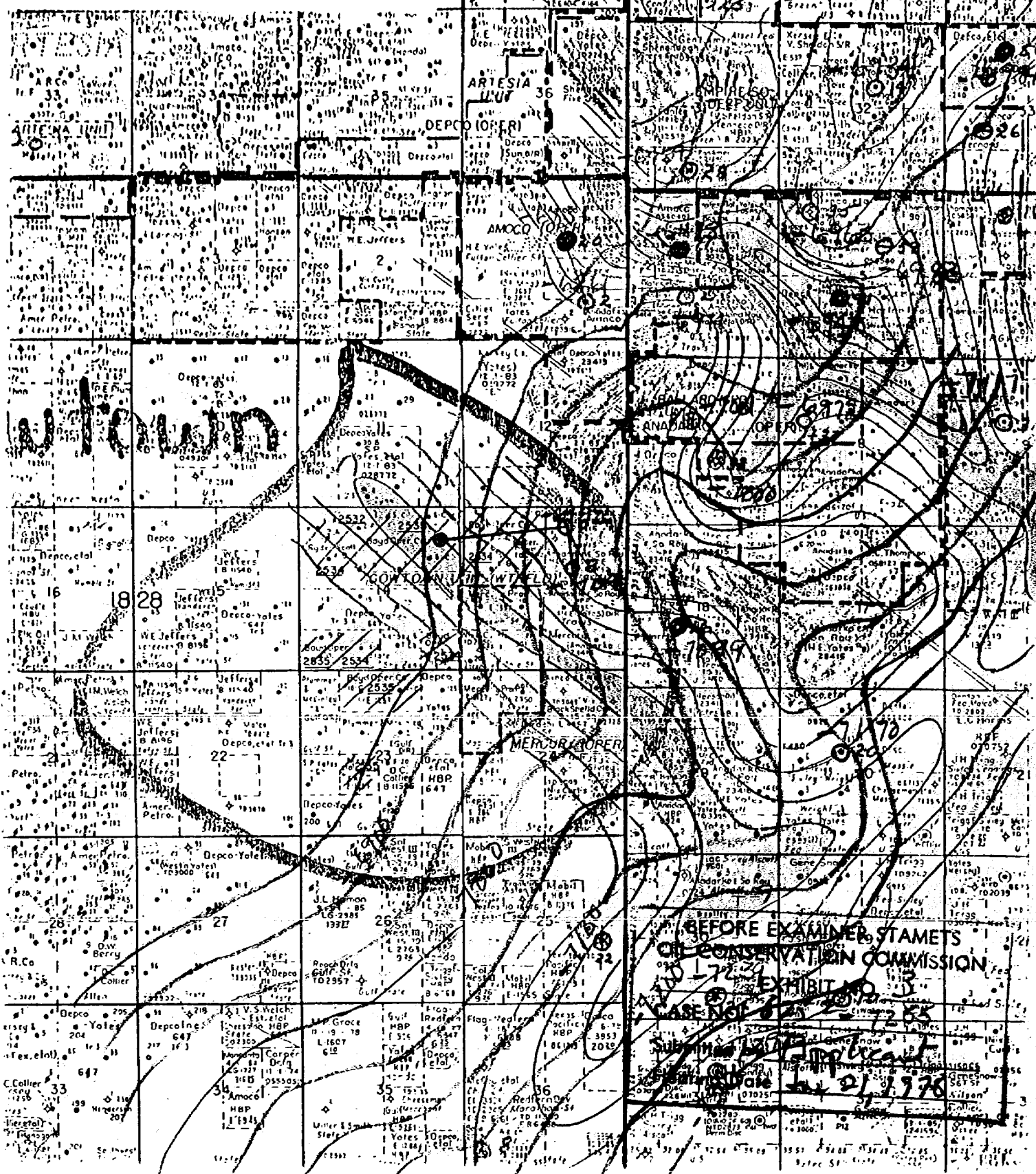
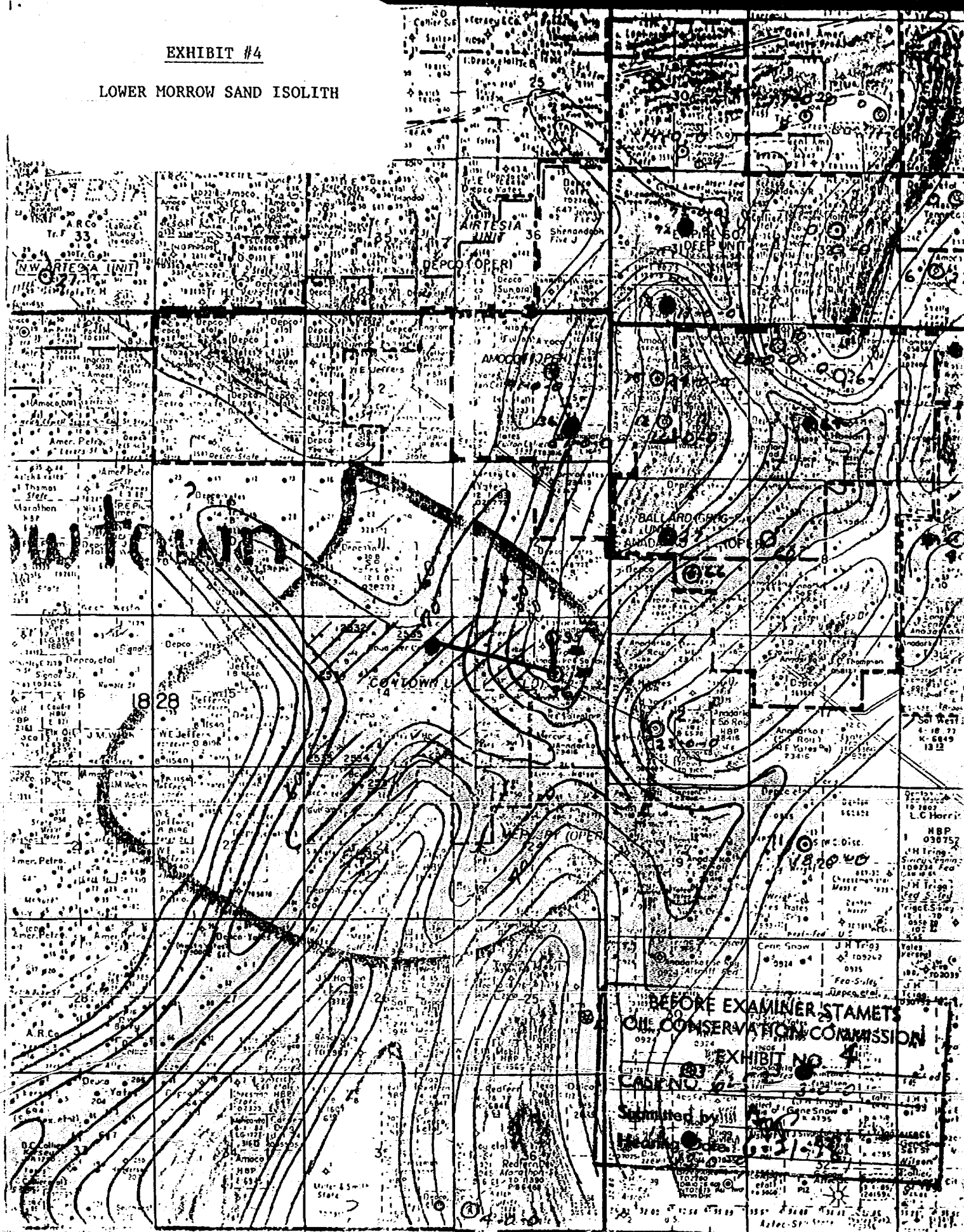


EXHIBIT #4

LOWER MORROW SAND ISOLITH



BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 4

CASE NO. 02

Submitted by

Hearings

Gene Snow

10/21/50

10/21/50

10/21/50

10/21/50

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10/21/50

10/21/50

PROPOSED
LOCATION

H6

CHESTER L.S.

GAMMA RAY
API UNITS

BULK DENSITY
GRAMS/CC

STRATIGRAPHIC SECTION
MORROW SANDS

EXHIBIT #6

BEFORE EXAMINER STAMPS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 6
CASE NO. G-252
Submitted by [Signature]
Hearing Date 6-5-52

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6252

ORDER NO. R- 5756

APPLICATION OF HOLLY ENERGY, INC.,
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 June 21,
19 78, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this _____ day of June, 19 78, 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, Holly Energy, Inc.
for its State 14 Well No. 1, a Morrow test to be located drilled
seeks approval of an unorthodox gas well location 990
feet from the North line and 660 feet from the
East line of Section 14, Township 18 South
Range 28 East, NMPM, to test the Morrow
formation, Pool, Eddy
County, New Mexico.

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

(4) That a well at said unorthodox location will better
enable applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox
location.

-2-

Case No. _____

Order No. R- _____

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject 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:

(1) That an unorthodox gas well location for the Morrow
Holly Energy, Inc. State 14 Well No. 1 ~~to be drilled~~
formation is hereby approved for ~~well to be located~~ at a point 990
feet from the North line and 660 feet from the East
line of Section 14, Township 18 South, Range 28 East
NMPM, _____ Pool, Eddy County,
New Mexico.

(2) That the N/2 of said Section 14 shall be dedicated to the above-described well.

(3) That 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.