



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 26, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Unit Petroleum Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-5282 (BHL)

Dear Mr. Bruce:

Reference is made to the following: (i) your initial application filed on behalf of the operator, Unit Petroleum Company ("UPC"), with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on July 12, 2005 (*administrative application reference No. pSEM0-519446942*); (ii) your e-mail to Mr. Michael E. Stogner, Engineer with the Division in Santa Fe on August 3, 2005 directing the Division to hold your application until further notice; (iii) your letter dated August 12, 2005 amending your application; (iv) Mr. Stogner's e-mail on Friday, August 19, 2005, that notice for this application is indeed required; (v) your e-mail responses on August 20, 26, and 31 and September 1, 2005; and (vi) your amended application filed with the Division on September 1, 2005: all concerning UPC's request for an exception to the well location provisions that governs the Atoka-Pennsylvanian (Prorated) Gas Pool (70800).

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of: (i) Division Rules 104.F, 111.A (13), 111.C (2), 605, and 1207.A (2); and (ii) the "*Special Rules and Regulations for the Atoka-Pennsylvanian (Prorated) Gas Pool*," as promulgated by Division Order No. R-8170, as amended.
- (2) By Order No. R-1171, issued in Case No. 1419 on May 5, 1958, the Division created and defined the Atoka-Pennsylvanian Gas Pool for the production of gas from the entire Pennsylvanian formation; the horizontal limits for this pool, as currently designated, include the following lands in Eddy County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM

Sections 1 and 2:	All
Section 3:	E/2
Section 9:	E/2
Sections 10 through 16:	All
Section 9:	E/2
Sections 20 through 22:	All
Section 23:	W/2
Sections 27 through 29:	All
Section 30:	NE/4 and E/2 NW/4
Section 33:	N/2;

- (3) The special pool rules governing the Atoka-Pennsylvanian Gas Pool provide for (i) 320-acre spacing and proration units comprising two contiguous quarter sections within a single governmental section being a legal subdivision of the U. S. Public Land Surveys; and (ii) for wells to be located in the northwest quarter or the southeast quarter of the section and shall be located no nearer than 990 feet to the outer boundary of the quarter section nor nearer than 330 feet to any governmental quarter-quarter section line;
- (4) Lots 1 and 2, the S/2 NE/4, and the SE/4 (E/2 equivalent) of Section 1, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, being a standard 320.13-acre gas spacing and proration unit for the Atoka-Pennsylvanian Gas Pool, which is the subject of your application, is credited with 3,933,208 MCF of gas and 30,967 barrels of condensate production from 1975 to 1988 from Mewbourne Oil Company's Federal "B" Well No. 1 (API No. 30-015-21292) located at a standard gas well location 990 feet from the South and West lines (Unit P) of Section 1;
- (5) It is the Division's understanding from the directional drilling plan submitted by e-mail September 1, 2005 that UPC intends to re-establish gas production from this unit with its proposed Monte Carlo Federal Com. Well No. 1 to be directionally drilled from a surface location 2385 feet from the North line and 271 feet from the East line (Unit H) of Section 1 in such a manner as to: (i) intercept the top of the Atoka-Pennsylvanian Gas Pool (base of the Wolfcamp/top of the Cisco formations) at an approximate depth of 7,250 feet (TVD), or 7,308 feet (MD), at a subsurface location 2276 feet from the North line and 516 feet from the East line (Unit H) of Section 1; and (ii) TD at an approximate depth of 9,250 feet (TVD), or 9,571 feet (MD), at a subsurface location 1845 feet from the North line and 1487 feet from the East line (Unit G) of Section 1;
- (6) Geological, previous drainage of the southern half of this unit, and topographic constraints are contributing factors leading UPC to seek the above-described off-pattern/unorthodox subsurface location;
- (7) The applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F, and the applicable provisions of the rules governing the Atoka-Pennsylvanian (Prorated) Gas Pool; therefore the subject application based on UPC's proposed directional drilling plan should be approved; and
- (8) The subject 320.13-acre gas spacing and proration unit/project area is to be governed by the provisions contained within this order and all other applicable provisions of Division Rules 111 and 605.

It Is Therefore Ordered That:

(1) Unit Petroleum Company ("UPC") is hereby authorized to directionally drill its Monte Carlo Federal Com. Well No. 1 from a surface location 2385 feet from the North line and 271 feet from the East line (Unit H) of Section 1, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, in the manner described above in Finding Paragraph No. (5) and to intercept the targeted subsurface unorthodox locations (top of the Atoka-Pennsylvanian Gas Pool and bottomhole) as close as is reasonably possible.

(2) The former 320.13-acre gas spacing and proration unit, or project area, within the Atoka-Pennsylvanian Gas Pool comprising Lots 1 and 2, the S/2 NE/4, and the SE/4 (E/2 equivalent) of Section 1 is to be dedicated to the subject well.

(4) The operator shall comply with all applicable requirements and conditions set forth in Division Rules 111 and 605.

(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



MARK E. FESMIRE, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad