

**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:**

**CASE NO. 11384
Order No. R-10466**

**APPLICATION OF SANTA FE ENERGY
RESOURCES, INC. FOR AN UNORTHODOX
OIL WELL LOCATION, LEA COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 21, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 26th day of September, 1995, 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, Santa Fe Energy Resources, Inc., seeks authority to drill its Mesa Verde "6" Federal Well No. 7 at an unorthodox oil well location 660 feet from the North line and 2540 feet from the East line (Unit B) of Section 6, Township 24 South, Range 32 East, NMPM, to test the Bone Spring formation, Mesa Verde-Bone Spring Pool, Lea County, New Mexico.

(3) The applicant proposes to dedicate Lot 2 (NW/4 NE/4 equivalent) of Section 6 to the subject well forming a standard 40-acre oil spacing and proration unit for the Mesa Verde-Bone Spring Pool.

(4) The Mesa Verde "6" Federal Well No. 7 is located within the Mesa Verde-Bone Spring Pool which is currently governed by Division General Rules and Regulations which require standard 40-acre oil spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit.

(5) According to applicant's geologic evidence and testimony, the primary target within the aforesaid Mesa Verde "6" Federal Well No. 7 is the "Avalon Sand" interval within the Bone Spring formation.

(6) The applicant's geologic evidence and testimony indicates that a well at the proposed unorthodox location should encounter a greater amount of net sand within the "Avalon" interval than a well drilled at a standard well location thereon, thereby increasing the likelihood of obtaining commercial oil production.

(7) In addition, a well at the proposed unorthodox location should encounter better quality reservoir than a well drilled at a standard oil well location thereon due to its proximity to the center of the depositional channel.

(8) The NE/4 NW/4 of Section 6, being the affected offset acreage, is part of a single Federal lease comprising all of Section 6. This Federal lease is owned and operated entirely by the applicant.

(9) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(10) Approval of the subject application will afford the applicant the opportunity to recover the oil and gas underlying the NW/4 NE/4 of Section 6, 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.

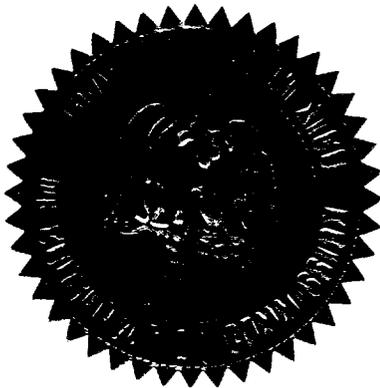
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Santa Fe Energy Resources, Inc., is hereby authorized to drill its Mesa Verde "6" Federal Well No. 7 at an unorthodox oil well location 660 feet from the North line and 2540 feet from the East line (Unit B) of Section 6, Township 24 South, Range 32 East, NMPM, to test the Bone Spring formation, Mesa Verde-Bone Spring Pool, Lea County, New Mexico.

(2) Lot 2 (NW/4 NE/4 equivalent) of Section 6 shall be dedicated to the subject well forming a standard 40-acre oil spacing and proration unit for the Mesa Verde-Bone Spring Pool.

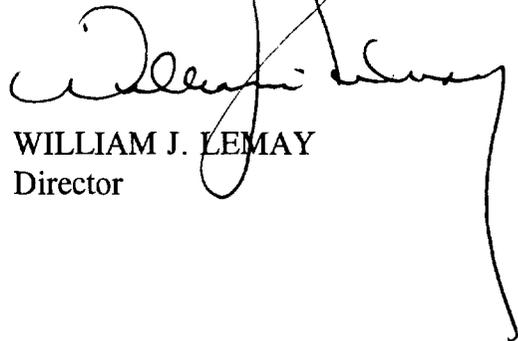
(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director