

FAX TO: Michael Stogner, NMOCD 505/827-8177
FM Dave Percy, ARCO Permian, Midland 915-688-5355
Re: DRAFT NSL Request November 5, 1996

ARCO Oil & Gas

This application has a new twist: Carr et al has already sent out the paperwork for a Nov 21 hearing. Will those notifications suffice, in lieu of this letter and attachments to encroached-upon operators? See my paragraph #2.

We hope to save the expense of a trip to Santa Fe if we get joinder of all co-owners and if we can get this application finalized in a few days.

Thank you for your review; pls call me or fax to 915-688-5246 for comments

DRAFT
Mr. Michael Stogner
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Case 11641

Re: Application for Non-Standard Location
Galileo 34 State Com #1
Empire South (Morrow) Gas Pool
West half Sec. 34, T 17 S, R 28 E, Eddy County, NM

Dear Mr. Stogner:

Nov. 20, 1996

ARCO Permian respect
ARCO Galileo 34 State
23, T17S R28E, for
proration unit were care
waste and poorer-quality
all formations developed

As shown on the attache
offset operators to the s
(Compulsory pooling and
administratively approved
received.

*Per my telephone conversation w/
Bill Carr, this matter is to be
covered at the 11-21-96 hearing & is
Case 11641, therefore, withdrawing this
administrative request. M.S.*

Enclosed are Forms C-101 showing all offset operators, a list of the encroached-upon operators, and a Net Sand Map for the primary objective Atoka Sand (showing all wells over 9000'). No structure map is presented.

The 3D-seismic-derived Net Sand Map of the Basal Atoka sand shows a small but potentially prolific accumulation for marine bar sands in this area. Mapping of the Morrow sands indicates low potential in this area, although we will evaluate them with the drillbit. Our location must be construed as high-risk, since none of the wells in this area have encountered the pay-quality sand we are targeting. Several wells east and northeast of our location have tested Atoka gas from this stratigraphic interval, but have generally been non-commercial. Well #26452 in spot "J" of Section 34 had neither Atoka nor Morrow pay

Our stratigraphic analysis indicates the Atoka sand reservoir is best-developed at our unorthodox location. Any standard location such as 1650 FSL places us dangerously close to a northern "zero-edge" where the Atoka sands are believed absent. ARCO believes that the unorthodox location **alone** offers acceptable risk, and that any other wellsite in the proration unit would present untenable risk. All the nearby Morrow dry holes amply demonstrate the economic hazards of drilling in this area. Even at the optimum location, ARCO and partners are taking substantial risk of finding tight sands or missing gas pays altogether.

ARCO Permian believes approval of the unorthodox Galileo 34 location would be in the best interest of conservation, would protect correlative rights, and would allow for the most complete recovery of gas-in-place. If this administrative approval is accepted favorably, ARCO may continue the hearing now scheduled for November 21.

Thank you for your assistance. Please call me at (915) 688-5355 if you need further information.

Sincerely,

David B. Percy
Senior Geologist

cc: New Mexico Oil Conservation Division
811 South First Street
Artesia, NM 88210

enclosures: Campbell, Carr et al letter dated October 29, 1996
Landplat
List of affected parties to S, SE, & SW
Geologic map
C-101, C-102

galilod.doc

**CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS**

MICHAEL B. CAMPBELL
WILLIAM F. CARR
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October 29, 1996

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Paycheck
Santa Fe, New Mexico 87503

Re: Oil Conservation Division Case No. 11641:
Amended Application of ARCO Permian, a Division of Atlantic Richfield
Company, for compulsory pooling and an unorthodox well location, Eddy
County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Amended Application of ARCO Permian, a Division of Atlantic Richfield Company, in the above-referenced case as well as a legal advertisement. ARCO respectfully requests that this matter be readvertised for the November 21, 1996 Examiner hearing docket.

Very truly yours,

W. Carr
WILLIAM F. CARR

*If may
Need fm Carr:
Land plot?
List of operators encroached upon?
were Certified letters sent?*

WFC:mlh

Enclosures

cc: Mr. Lee M. Scarborough, (w/enclosures)

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

**IN THE MATTER OF THE AMENDED
APPLICATION OF ARCO PERMIAN, A DIVISION
OF ATLANTIC RICHFIELD COMPANY,
FOR COMPULSORY POOLING AND
AN UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 11641

AMENDED APPLICATION

ARCO PERMIAN, A DIVISION OF ATLANTIC RICHFIELD COMPANY ("ARCO"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations developed on 320-acre spacing in the W/2, in all formations developed on 160-acre spacing in the SW/4, in all formations developed on 80-acre spacing in the S/2 SW/4 and in all formations developed on 40-acre spacing in the SE/4 SW/4 of Section 34, Township 17 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

*no
NSL
required
JGP*

- 1. ARCO owns or represents approximately 90% of the working interest in the W/2 of said Section 34, and applicant has the right to drill thereon.**
- 2. ARCO proposes to dedicate the above-referenced spacing or proration unit to its Galileo 34 State Com Well No. 1 to be drilled at an unorthodox-well location 1017 feet from the South line and 1379 feet from the West line of said Section 34 to a depth sufficient**

to test all formations from the surface to the base of the Morrow formation Undesignated South Empire - Morrow Gas Pool.

3. ARCO proposes to drill to a depth sufficient to test all formations to the base of the Morrow formation.

4. ARCO has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the W/2 of said Section 34.

5. Said pooling of interests will prevent waste and will protect correlative rights.

6. In order to permit ARCO to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and ARCO should be designated the operator of the well to be drilled at the proposed unorthodox well location.

WHEREFORE, ARCO prays that this amended application be set for hearing before an examiner of the Oil Conservation Division on November 21, 1996 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for ARCO to recover its costs of supervision of the well, including overhead charges, imposing a risk factor for the risk assumed by the ARCO in drilling, completing and equipping the well and approving an unorthodox location for the well 1017 feet from the South line and 1379 feet from the West line of said Section 34.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR ARCO PERMIAN, A DIVISION
OF ATLANTIC RICHFIELD COMPANY

CASE 11641:

Amended Application of ARCO Permian, a Division of Atlantic Richfield Company for compulsory pooling and an unorthodox well location, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the W/2, in all formations developed on 160-acre spacing underlying the SW/4, in all formations developed on 80-acre spacing underlying the S/2 SW/4, and in all formations developed on 40-acre spacing underlying the SE/4 SW/4 from the surface to the base of the Atoka formation in of Section 34, Township 17 South, Range 28 East. Said unit is to be dedicated to its Galileo 34 State Com. Well No. 1 which will be drilled at an unorthodox location 1017 feet from the South line and 1379 feet from the West line of said Section 34 to a depth sufficient to test all formations to the base of the Morrow formation, Undesignated South Morrow-Empire Gas Pool. 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, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately _____ miles _____ of _____, New Mexico.

de
JBP

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling
 NSL NSP DD SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Print or Type Name

Signature

Title

Date