

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:

NOMENCLATURE
CASE NO. 11986
ORDER NO. R-11059

**APPLICATION OF SABA ENERGY OF TEXAS, INCORPORATED FOR POOL
CREATION AND SPECIAL POOL RULES, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 11, July 9, August 6, and September 3, 1998 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 16th day of September, 1998, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant in this case, Saba Energy of Texas, Incorporated ("Saba"), is the owner and operator of the:

(a) Harton State Well No. 1 (API No. 30-025-28540), located 2310 feet from the North line and 990 feet from the East line (Unit H) of Section 7, Township 13 South, Range 36 East, NMPM, Lea County, New Mexico; and

(b) Saba State Well No. 1 (API No. 30-025-33726), located 2310 feet from the South line and 1308 feet from the East line (Unit I) of Section 7 [this well was the subject of Division Administrative Order NSL-3744, dated December 18, 1996, which approved this location as unorthodox

in the deeper Devonian formation, and Division Order No. R-10910, dated October 31, 1997, which in part created the Southwest Tatum-Devonian Pool and named this well as the discovery well].

(3) Saba now seeks the creation of a new pool for the production of oil from the Canyon and Cisco formations (Upper Pennsylvanian) to comprise the following described area in Lea County, New Mexico:

TOWNSHIP 13 SOUTH, RANGE 36 EAST, NMPM
Section 7: E/2 NE/4 and E/2 SE/4

(4) The applicant also seeks the adoption of special pool rules for this pool including provisions for 80-acre spacing and well location requirements whereby wells could be located no closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

(5) The preliminary engineering and geological evidence presented by the applicant indicates that each of the wells is capable of draining an area in excess of 40 acres in the Upper Pennsylvanian pay zones.

(6) The proposed 330 foot set-back requirement is a departure from the established set-back requirement for oil pools with 80-acre spacing, which restricts well locations to an area within a 150 foot radius of the center of either a quarter-quarter section or a lot in a unit.

(7) The 330 foot set-back requirement would give operators in the pool greater flexibility in locating wells within spacing units at geologically and/or topographically acceptable locations.

(8) No other operator and/or mineral interest owner appeared at the hearing in opposition to this application.

(9) In order to (i) ensure orderly development of the proposed pool, (ii) prevent the economic loss and avoid the risk caused by the drilling of unnecessary wells, and (iii) to otherwise prevent waste and protect correlative rights, temporary special rules providing for 80-acre spacing units and well location restrictions should be adopted for this pool.

(10) The applicant did not propose a name for this pool. In keeping with the Division's long-standing policy of referencing nearby geographical place names and/or

utilizing existing names of pools in other formations within the immediate area of a new pool, this pool should be designated the Tatum-Upper Pennsylvanian Pool.

(11) This pool should be established for a two-year period in order to allow the operators in the pool time to gather sufficient reservoir information to justify 80-acre spacing.

(12) This case should therefore be reopened at an examiner hearing in September, 2000, at which time the operators in this pool should appear and show cause why the temporary special pool rules for this pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Lea County, New Mexico, classified as an oil pool for Upper-Pennsylvanian production, is hereby created and designated the Tatum-Upper Pennsylvanian Pool, with vertical limits comprising the entire Cisco and Canyon formations and horizontal limits comprising the following described area:

TOWNSHIP 13 SOUTH, RANGE 36 EAST, NMPM

Section 7: E/2 NE/4 and E/2 SE/4

(2) The following Temporary Special Rules for the Tatum-Upper Pennsylvanian Pool are hereby adopted:

**TEMPORARY SPECIAL RULES
FOR THE
TATUM-UPPER PENNSYLVANIAN POOL**

RULE 1: Each well completed or recompleted in the Tatum-Upper Pennsylvanian Pool or in the Cisco and Canyon formations within one mile thereof, and not nearer to or within the limits of another Upper Pennsylvanian oil pool, shall be spaced, drilled, operated and produced in accordance with these Special Rules.

RULE 2: Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section; provided however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections or lots in that unit.

RULE 3: The Oil Conservation Division (the "Division")

Director may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been duly filed under the provisions of **Division Rule 104.D(2)**.

RULE 4: Each well shall be located no closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

RULE 5: The Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of **Division Rule 104.F**.

RULE 6: A standard proration unit (79 to 81 acres) shall be subject to an 80-acre depth-bracket allowable of 400 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

(3) The locations of all wells presently drilling to or completed in the Tatum-Upper Pennsylvanian Pool or in the Cisco or Canyon formations within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Division's Hobbs District Office in writing of the name and location of the well within thirty days from the date of this order.

(4) Existing wells in the Tatum-Upper Pennsylvanian Pool shall each have dedicated thereto either 80 acres in accordance with the foregoing pool rules or a non-standard spacing or proration unit established by the Division.

(5) Failure to file new OCD Form C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within sixty days from the date of this order shall subject the well to cancellation of allowable.

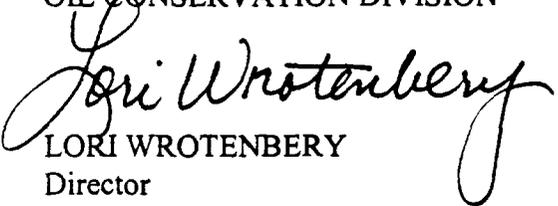
(6) Unless called earlier upon motion of the Division, this case shall be reopened at an examiner hearing in September, 2000, at which time the operators in this pool should appear and show cause why the temporary special pool rules for the Tatum-Upper Pennsylvanian Pool should not be rescinded.

(7) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Nomenclature
Case No. 11986
Order No. R-11059
Page 5

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

SEAL