



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

January 3, 2000

12340

David Petroleum Corp.
116 West First
Roswell, New Mexico 88201

Attention: Bill Owen
Land Manager

Re: C. O. Jones "ATK" State Com. Well No. 1
API No. 30-025-34714 1150'
1330' FSL & 1080' FWL (Unit L) of Section 11,
Township 16 South, Range 35 East, NMPM, Lea
County, New Mexico.

Dear Mr. Owen:

On October 7, 1999 Yates Petroleum Corporation filed an application seeking an unorthodox oil well location in the Strawn formation for this same well. Please refer to my reply letter dated October 28, 1999 (see copy attached). Per paragraph four of this letter, which states, "*Should Yates Petroleum Corporation wish to pursue this matter further, a hearing will be required*", your application will be docketed for hearing before a Division Examiner scheduled for February 3, 2000.

Sincerely,

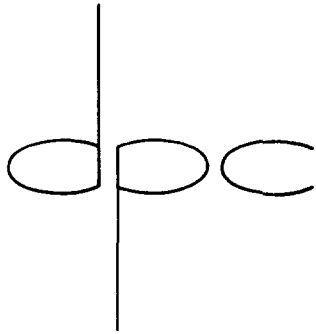
Michael E. Stogner
Engineer/Chief Hearing Officer

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Kathy Valdes, NMOCD - Santa Fe
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe

NSL 1/10/00

5 miles west by south
of Losington



December 17, 1999

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, NM 87505

Case 12340

Re: Application of David Petroleum Corp. for Administrative Approval of an Unorthodox Well Location for its C. O. Jones "ATK" State Com. Well No. 1, to be located 1330 FSL and 1150 FWL, Section 11, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico

Dear Ms. Wrotenbery:

David Petroleum Corp. hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F adopted on August 12, 1999, of an unorthodox well location for its C. O. Jones "ATK" State Com. Well No. 1 in the Strawn formation at an unorthodox well location 1330 feet FSL and 1150 FWL, Section 11, T-16-S, R-35-E, NMPM, Lea County, New Mexico. This will be drilled to a total depth of approximately 12,650 feet to the Mississippian lime. The location will be orthodox for an Atoka/Morrow gas well location, but is unorthodox for a Strawn oil well. A standard 80-acre spacing and proration unit comprised of the N/2SW/4, Section 11 will be dedicated to the well in the Strawn.

The well will test a small anomaly in the Strawn formation and will be completed in the South Big Dog-Strawn Pool which is governed by Special Rules and Regulations adopted by Division Order Nos. R-9722-C and R-10448-A which provide for wells to be located on a standard unit containing 80-acres (Rule 2) with wells to be located no closer than 330 feet to any quarter-quarter or subdivision inner boundary (Rule 4).

An administrative application seeking approval of this location was previously filed by Yates Petroleum Corporation and was denied by the Division. Our attorney subsequently reviewed this matter with Mr. Stogner and, based on that conversation, we are resubmitting this application with additional supporting information.

This proposed unorthodox well location is only 10 feet from the southern boundary of the dedicated 80-acre spacing unit in the Strawn formation. This unorthodox location is required by geological conditions. The well is proposed to be at the top of a small geologic anomaly in the Strawn formation which has been identified by seismic information. Placement of the well at this unorthodox well location should result in the well being able to efficiently produce the reserves in this reservoir without the necessity of an unnecessary additional well in the S/2SW/4 of this section.

DAVID PETROLEUM CORP.
EDWARD N. DAVID, C.P.L.
VICE PRESIDENT
Off. 505/622-8850
Fax: 505/623-1801
davpetro@dfn.com
Res. 505/624-0558
116 West First
Roswell, New Mexico 88201

Lori Wrotenbery, Director
Oil Conservation Division
December 17, 1999
Page 2

Attached hereto as Exhibit "A" is a plat showing the subject spacing unit and the proposed unorthodox well location and adjoining spacing units and wells. The SW/4 of Section 11 is covered by a single State of New Mexico Oil and Gas Lease and the ownership (working interest and royalty interest) is 100% common throughout the SW/4 of this section. Accordingly, the correlative rights of no interest owner will be adversely impacted by a well at this proposed unorthodox location and there are no affected persons as defined in Rule 1207.A to who notice of this application should be provided.

A geological explanation for this unorthodox well location and attached isochron map is attached as Exhibit "B". This exhibit shows that the unorthodox location is supported by the geology of the Strawn formation. If the Division desires to review the underlying seismic data, David Petroleum will be happy to come to Santa Fe and review this information with you.

Your attention to this application is appreciated.

Yours very truly,

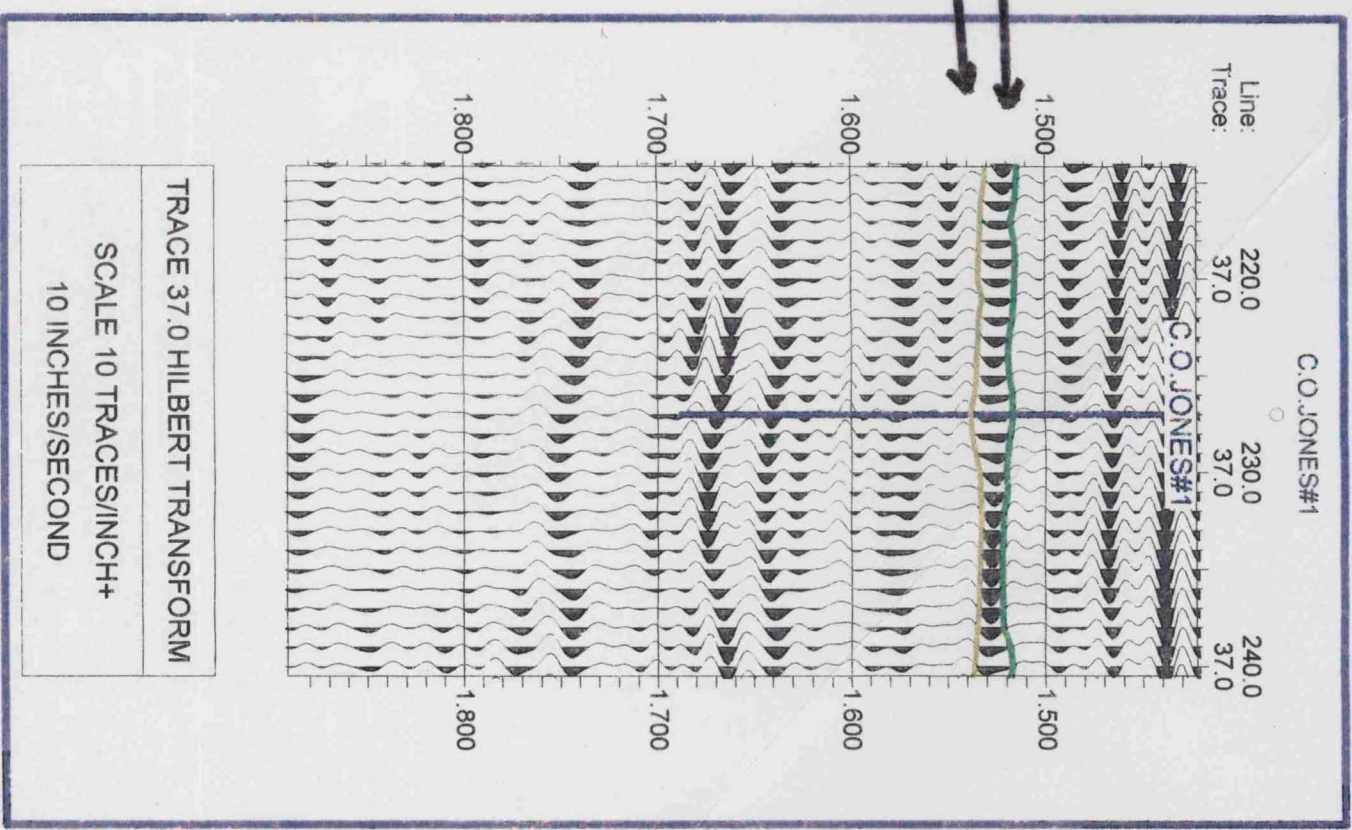
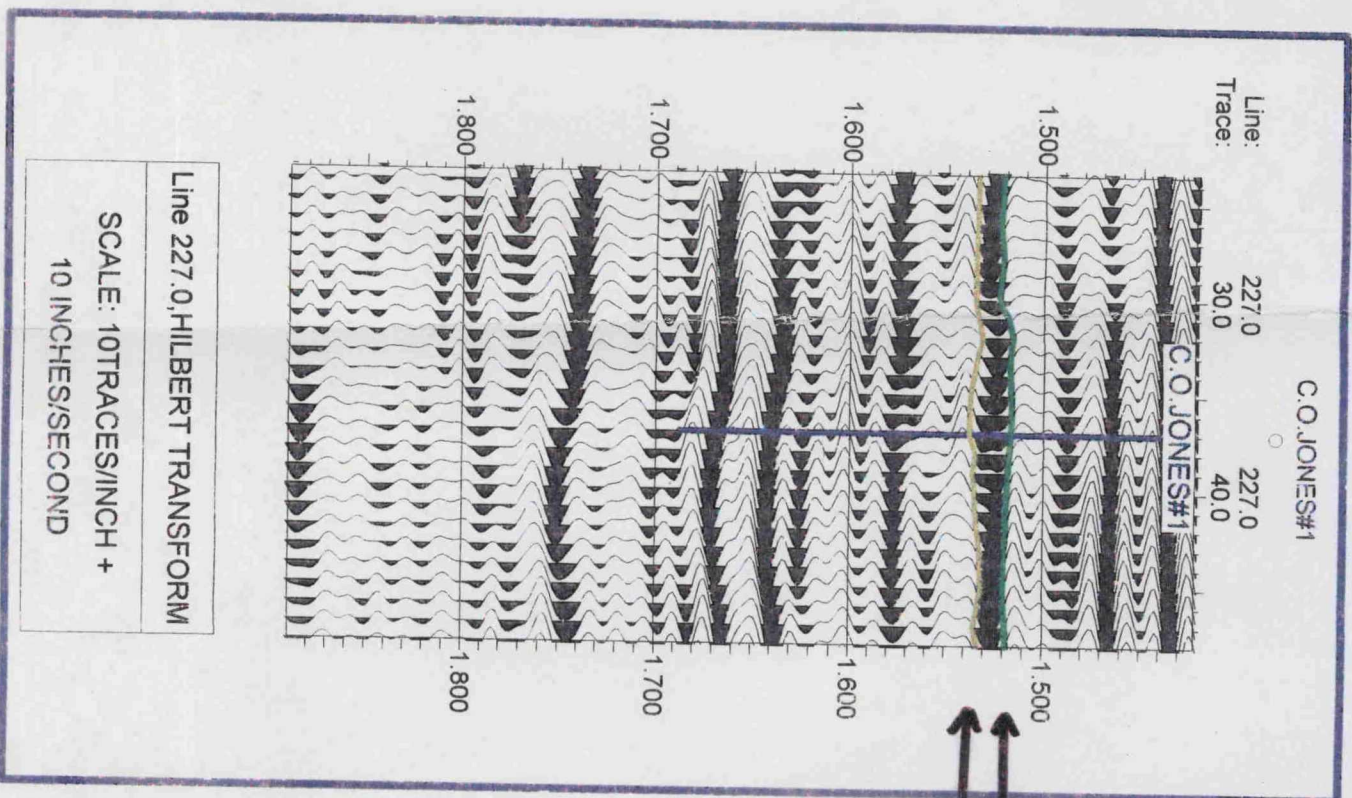
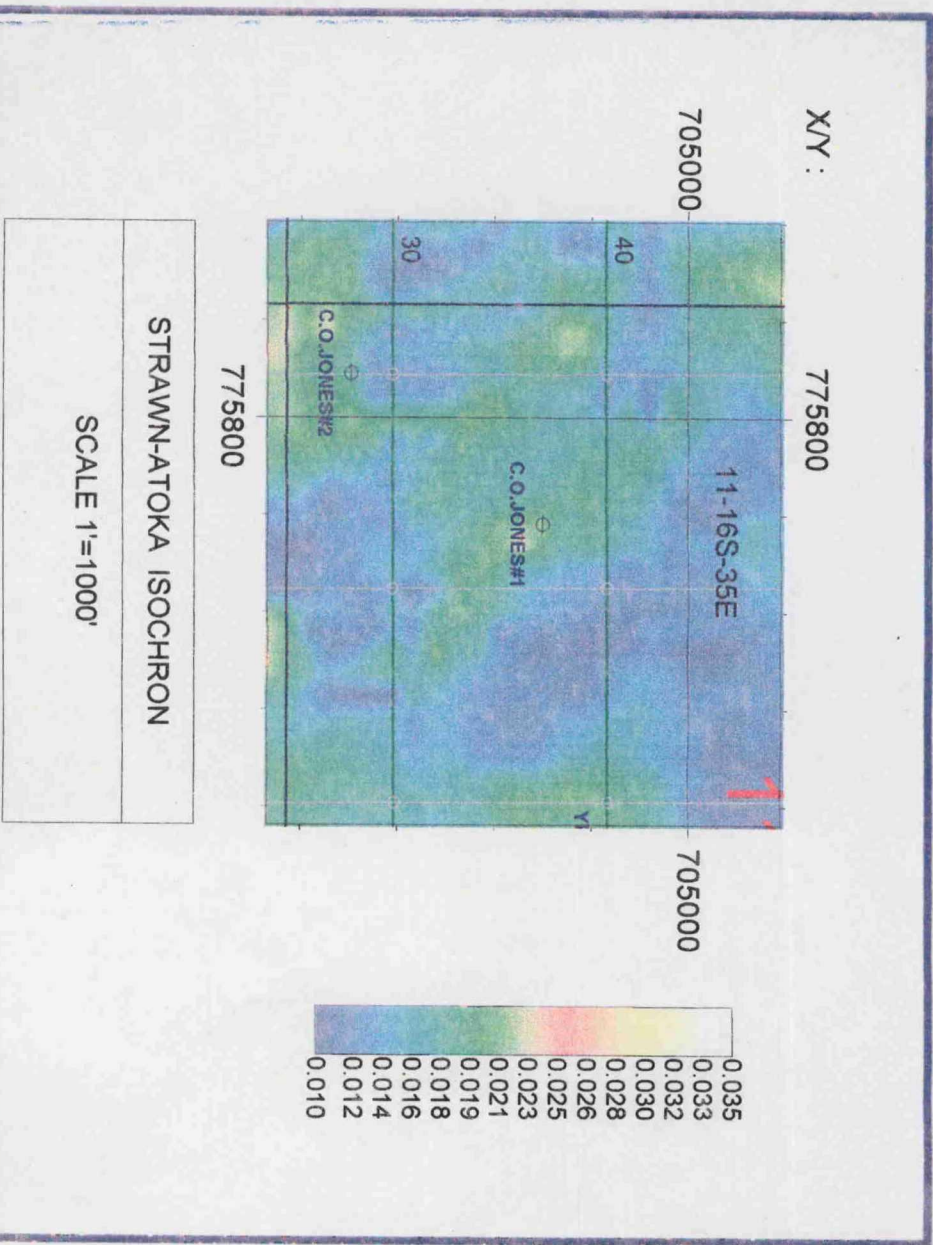
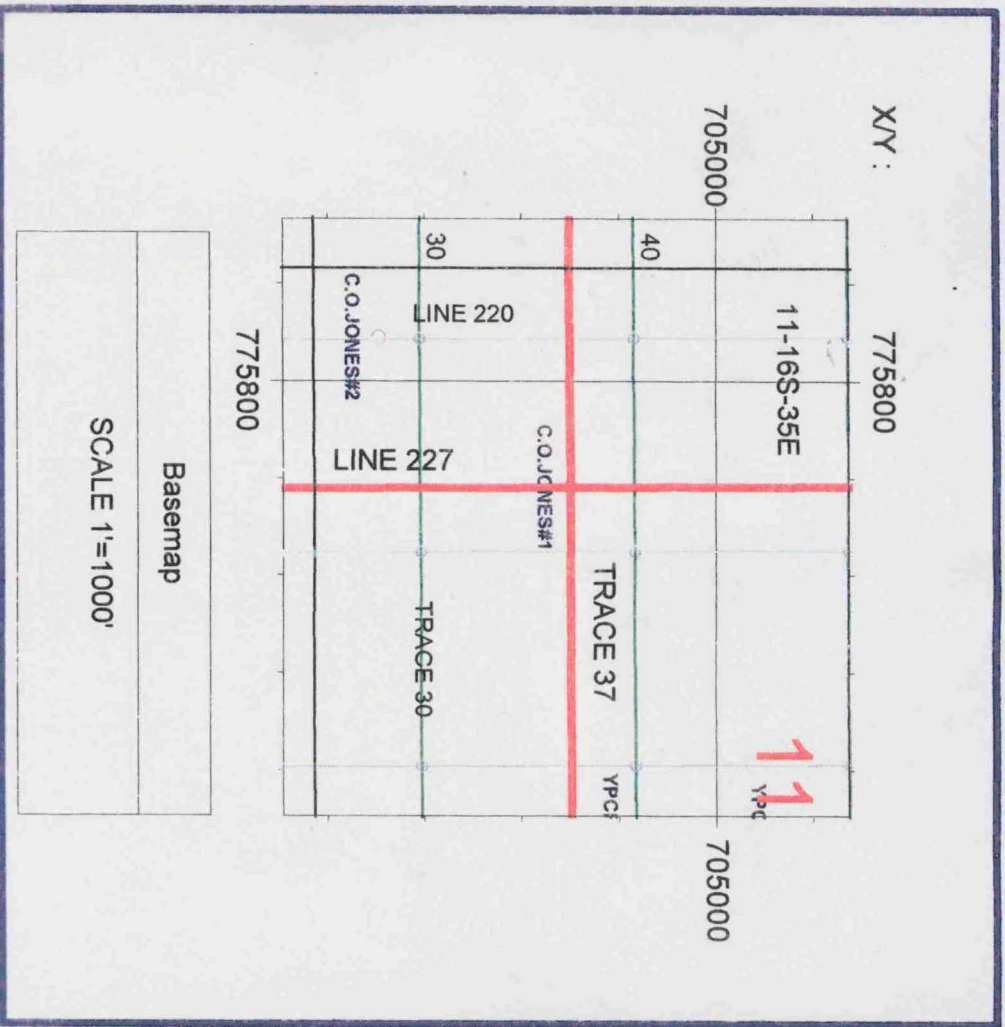
A handwritten signature in black ink, appearing to read "Bill Owen", written in a cursive style.

Bill Owen
Land Manager

Enclosures

The map displays the Tulsa, Oklahoma area, showing various oil and gas fields, wells, and company territories. Key areas include the Tulsa, Broken Arrow, and Owasso fields. Numerous wells are marked with numbers and names, such as 'Marathon', 'Yates Pet.', 'Chesapeake', and 'Merit Ener.'. The map also shows the locations of major companies like 'Exxon', 'Chevron', and 'Shell'. The map is a technical drawing with a grid system and various symbols for wells, roads, and boundaries.

EXHIBIT "B"



STRAWN
ATOKA



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

October 28, 1999

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Robert Bullock

**Re: C. O. Jones "ATK" State Com. Well No. 1
API No. 30-025-34714
1330' FSL & 1080' FWL (Unit L) of Section 11,
Township 16 South, Range 35 East, NMPM, Lea
County, New Mexico.**

Dear Mr. Bullock:

The Division's records indicate that the NW/4 SW/4 of Section 11 is situated between the Northwest Shoe Bar-Strawn Pool, which is spaced on 40-acre units and governed under Division Rule 104.B, and the South Big Dog-Strawn Pool, which is spaced on 80-acre units and governed under special pools set forth in Division Order No. R-9722, as amended.

In either case your application dated October 7, 1999 is **denied**.

The placement of this well within the Strawn formation at the proposed location is unjustified and unwarranted. From the information provided, it appears that there are locations available within Unit "L" that meet both requirements for the deeper 320-acre gas spacing pools/formations and the Strawn interval. Spacing and the placement of wells within units either by the Division's statewide rules or by special pool rules are in place so as to promote the orderly development of oil and gas resources.

Should Yates Petroleum Corporation wish to pursue this matter further, a hearing will be required.

Sincerely,

Michael E. Stogner
Engineer/Chief Hearing Officer

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe
Kathy Valdes, NMOCD - Santa Fe
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

OCT 12 1999

CONSERVATION DIVISION

October 7, 1999

Mr. Michael Stogner
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87508

CERTIFIED MAIL
Return Receipt Requested

RE: Application for Unorthodox Strawn Location
C.O. Jones ATK St Com #1
South Big Dog Strawn Pool
N/2SW/4 Section 11, T16S, R35E
Lea County, New Mexico

Dear Mr. Stogner:

Yates Petroleum Corporation respectfully requests administrative approval for an unorthodox Strawn oil well, the C.O. Jones ATK St Com #1. The well is located on State of New Mexico minerals, 1330' FSL and 1080' FWL of Section 11, Township 16 South, Range 35 East. The well will be drilled to a total depth of 12,650' into the Mississippian Lime. This location is orthodox for an Atoka/Morrow gas well location but is unorthodox for a Strawn oil well location. If the well is completed as a Strawn oil well we will dedicate the N/2SW/4 of Section 11.

Yates Petroleum Corporation operates the Strawn location to the south (S/2SW/4, Section 11) which is being encroached upon.

Please find enclosed Forms C-101, C102 and a land plat.

Please call me at (505) 748-4351 if you need additional information.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB:bn
enclosure(s)

811 South First, Artesia, NM 88210
District III
1060 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address. Yates Petroleum Corporation 105 S. 4th Street Artesia, New Mexico 88210		² OGRID Number 025575
		³ API Number 30 - 0
⁴ Property Code	⁵ Property Name C.O. Jones ATK State <i>Con</i>	⁶ Well No. 1

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
L	11	16S	35E		1330'	South	1080'	West	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
⁹ Proposed Pool 1 Wildcat Mississippian					¹⁰ Proposed Pool 2				

¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3986'
¹⁶ Multiple No	¹⁷ Proposed Depth 12,650'	¹⁸ Formation Mississippian	¹⁹ Contractor Not Determined	²⁰ Spud Date ASAP

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
14 3/4"	11 3/4"	42#	400'	400 sx	Circulate
11"	8 5/8"	32#	4750'	1100 sx	Circulate
7 7/8"	5 1/2"	17#	12,650'	600 sx	TOC-9100'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Yates Petroleum Corporation proposes to drill and test the Mississippian and intermediate formations. Approximately 400' of surface casing will be set and cement circulated. Intermediate casing will be set to approximately 4750' and cement circulated. If commercial, production casing will be run and cemented back to the TOC with adequate cover, perforated, and stimulated as needed for production.

MUD PROGRAM: 0-400' FW Gel/Paper; 400'-4750' FW/Brine; 4750'-11,300' Cut Brine/Sweeps; 11,300'-12,650' Salt Gel/Starch/Drispac.

BOPE PROGRAM: 5000# BOPE will be installed on the 8 5/8" casing and tested daily for operational.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature:

Printed name:

KEN BEARDEMPHL

Title:

LANDMAN

Date:

September 23, 1999

Phone:

505-748-4348

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

Conditions of Approval:

Attached ☐

OIL CONSERVATION DIVISION

DISTRICT III
1000 Rio Brazos Rd., Artesia, NM 87410

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name Wildcat Mississippian
Property Code	Property Name C.O. JONES "ATK" STATE Com.	Well Number 1
OGED No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3986

Surface Location

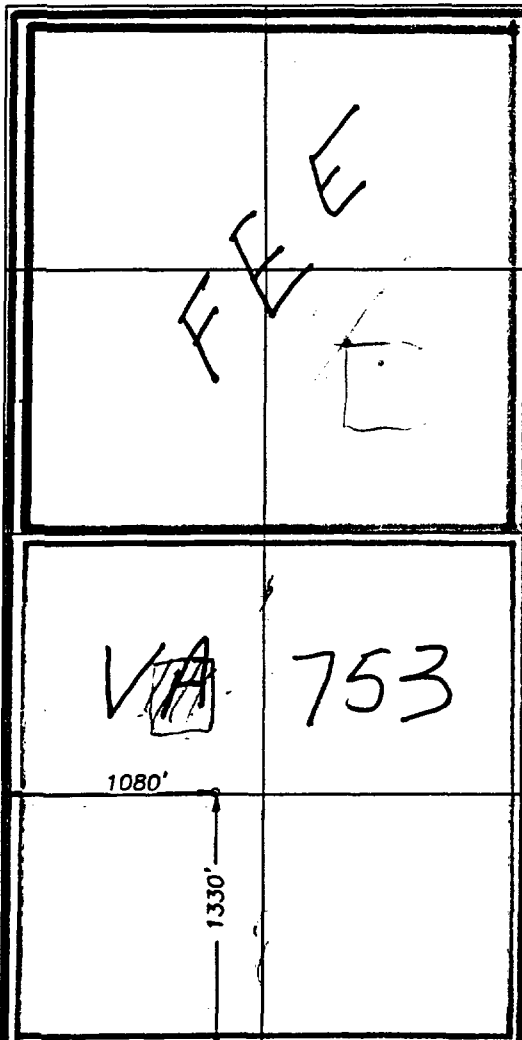
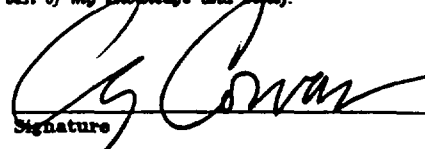
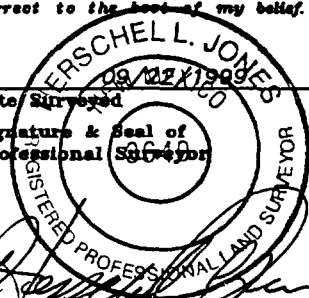
UL or lot No. L	Section 11	Township 16S	Range 35E	Lot Idn	Feet from the 1330	North/South line SOUTH	Feet from the 1080	East/West line WEST	County LEA
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Bottom Hole Location If Different From Surface

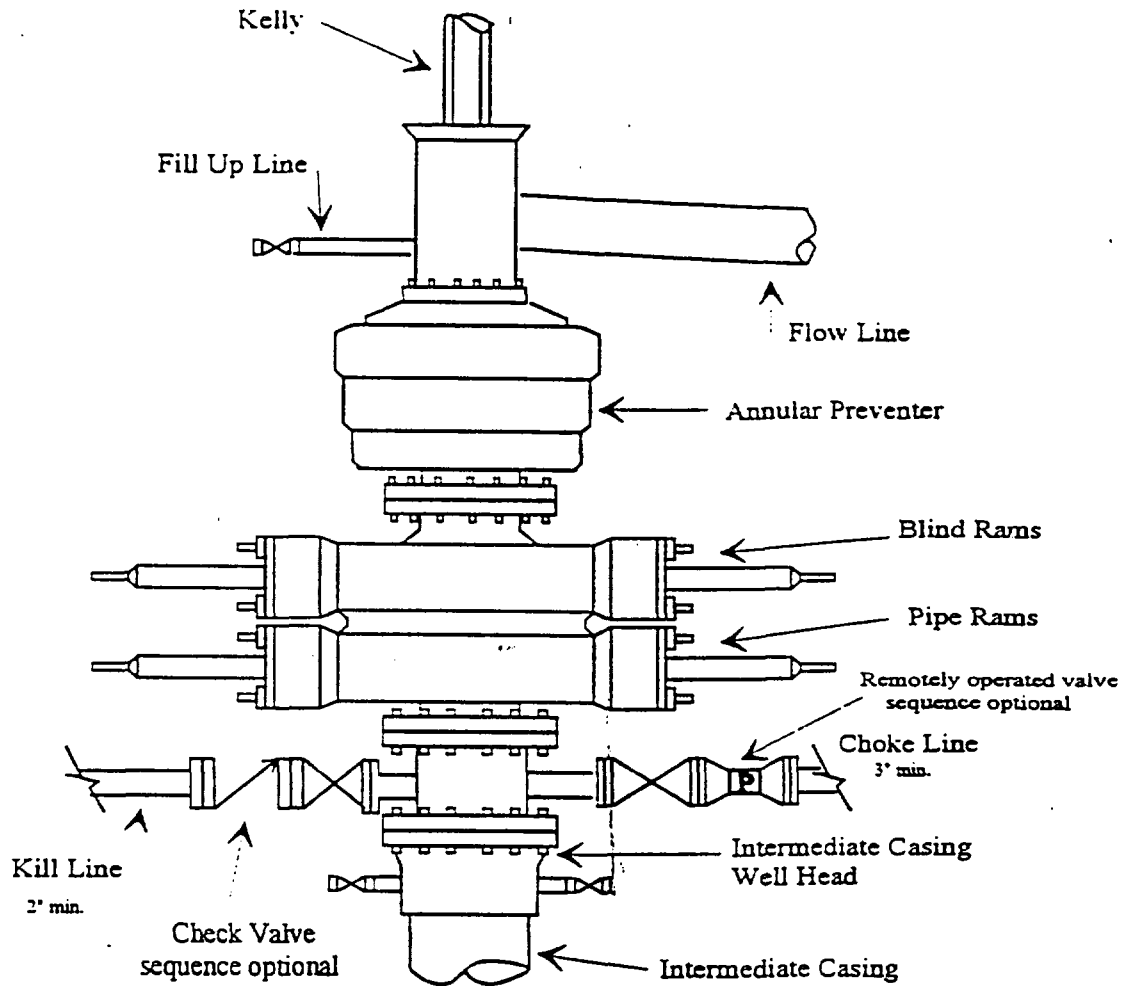
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
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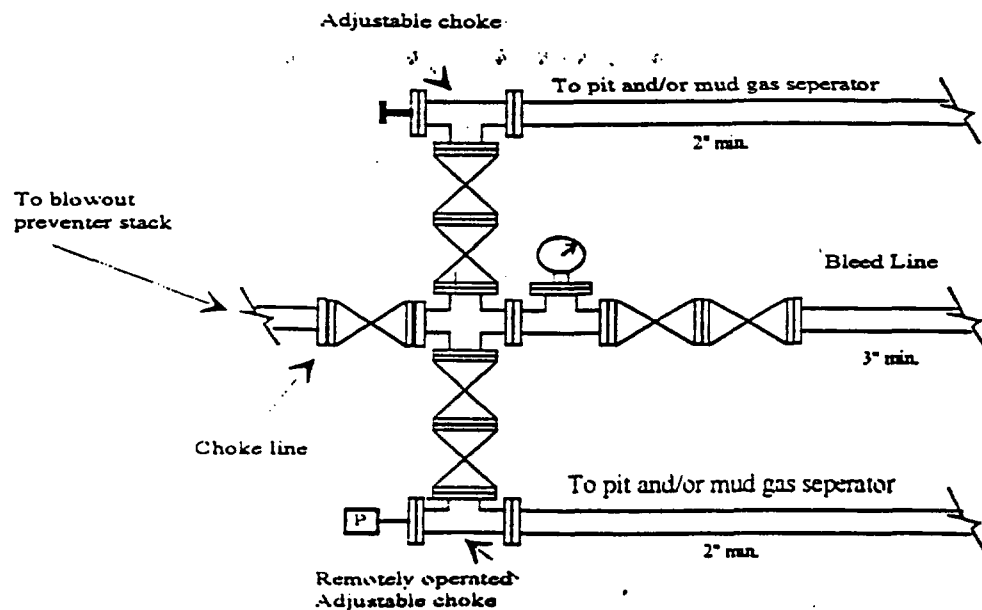
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p> Signature Cy Cowan Printed Name Regulatory Technician Title September 28, 1999 Date</p> <p>SURVEYOR CERTIFICATION</p> <p>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 belief.</p> <p> Date Surveyed Signature & Seal of Professional Surveyor Certificate No. Herschel L. Jones RLS 3640 CO JONES 1 DISK 14 GENERAL SURVEYING COMPANY</p>
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Typical 5,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack



Typical 5,000 psi choke manifold assembly with at least these minimum features



[illegible]

COUNTY

Lea

POOL

South Big Dry - Grown

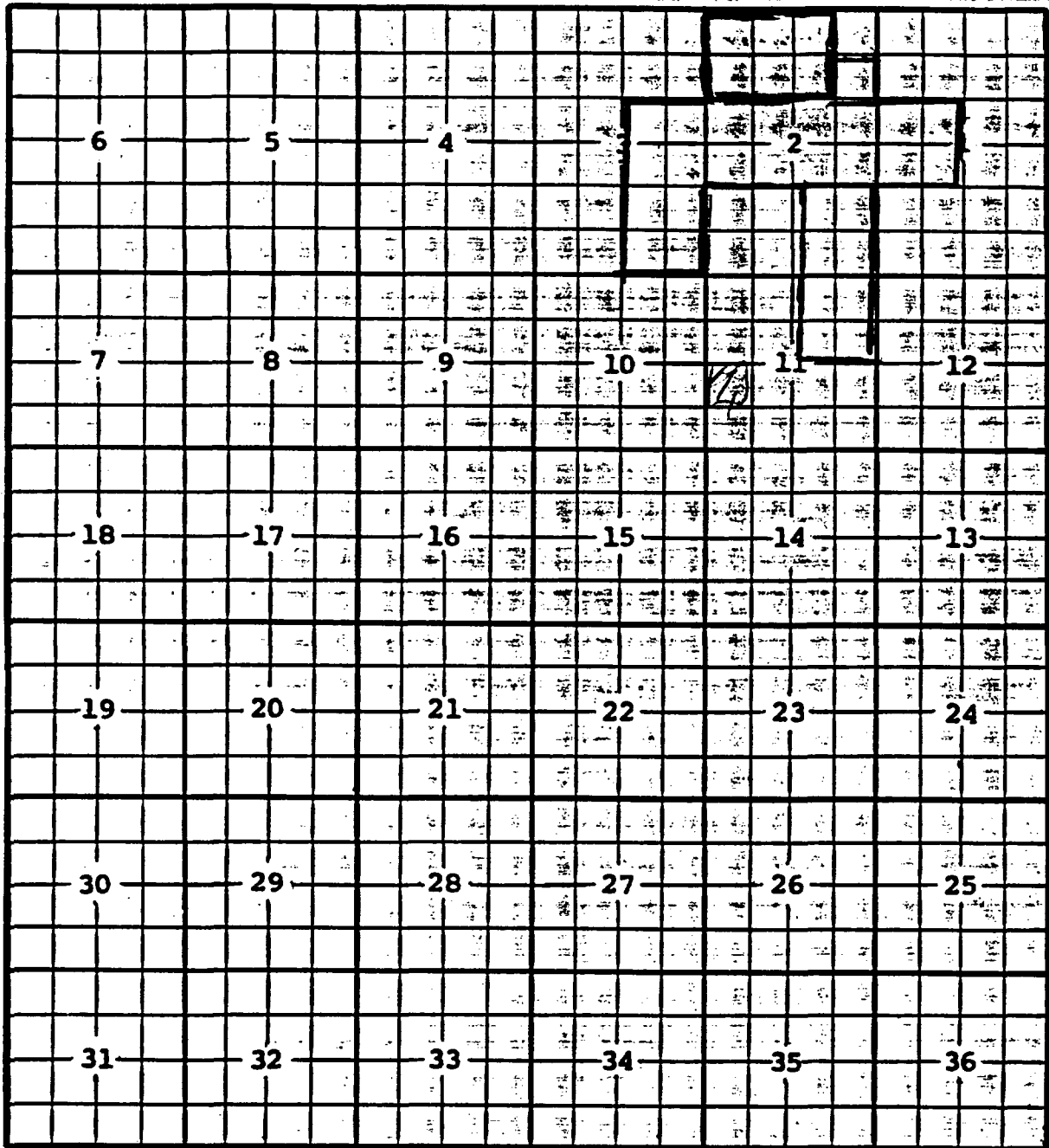
TOWNSHIP

16 South

RANGE

35 East

NMPM



Description: Lots 2 through 7; Sec. 2 (R-9722-C/R-10448-A, 2-24-47)

Ext: Lots 11, 12, 13 and 14 Sec. 1, Lots 9 through 16 Sec. 2, Lots 9, 10, 15, 16 and $\frac{3}{4}$ Sec. 3 (R-10910, 10-31-92) Ext: Lot 8 Sec. 2 (R-10972, 4-15-98)

Ext: $\frac{SE}{4}$ Sec. 2, $\frac{NE}{4}$ Sec. 11 (R-11243, 9-15-99)

ILLEGIBLE

CMD :
OG5SECTONGARD
INQUIRE LAND BY SECTION10/28/99 08:21:55
OGOMES -TPSC
PAGE NO: 2

Sec : 11 Twp : 16S Rng : 35E Section Type : NORMAL

L 40.00 CP VA0753 0000 12/97 YATES PETROLEUM C C A	K 40.00 CP VA0753 0000 12/97 YATES PETROLEUM C C	J 40.00 Fee owned A A	I 40.00 Fee owned
M 40.00 CP VA0753 0000 12/97 YATES PETROLEUM C C	N 40.00 CP VA0753 0000 12/97 YATES PETROLEUM C C	O 40.00 Fee owned	P 40.00 Fee owned

PF01 HELP
PF07 BKWDPF02
PF08 FWDPF03 EXIT
PF09 PRINTPF04 GoTo
PF10 SDIVPF05
PF11PF06
PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

10/28/99 10:02:29
OGOMES -TPSC
PAGE NO: 1

Sec : 11 Twp : 16S Rng : 35E Section Type : NORMAL

D 40.00 Fee owned C	C 40.00 Fee owned C	B 40.00 Fee owned	A 40.00 Fee owned
E 40.00 Fee owned C A	F 40.00 Fee owned C A	G 40.00 Fee owned A	H 40.00 Fee owned A

M0002: This is the first page

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07 BKWD	PF08 FWD	PF09 PRINT	PF10 SDIV	PF11	PF12

CMD : ONGARD 10/28/99 08:22:05
OG6C101 C101-APPLICATION FOR PERMIT TO DRILL OGOMES -TPSC

OGRID Idn : 25575 API Well No: 30 25 34714 APD Status(A/C/P): A
Opr Name, Addr: YATES PETROLEUM CORPORATION Aprvl/Cncl Date : 09-27-1999
105 S 4TH ST
ARTESIA,NM 88210

Prop Idn: 24895 C O JONES ATK STATE COM Well No: 1

	U/L	Sec	Township	Range	Lot	Idn	North/South	East/West
	---	---	-----	-----	-----		-----	-----
Surface Locn : L	11		16S		35E		FTG 1330 F S	FTG 1080 F W
OCD U/L : L			API County :		25			

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): G Cable/Rotary (C/R) : F
Lease typ(F/S/P/N/J/U/I): S Ground Level Elevation : 3986

State Lease No: Multiple Comp (Y/N) : S
Prpsd Depth : 12650 Prpsd Frmtn : MISSISSIPPIAN

E0009: Enter data to modify record

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12

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. 11599

ORDER NOS. R-9722-C and R-10448-A

**APPLICATION OF GILLESPIE-CROW, INC. FOR POOL EXPANSION AND
CONTRACTION, POOL CREATION, AND THE PROMULGATION OF
SPECIAL POOL RULES THEREFOR, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 22, 1996 and on October 3, 1996, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 26th day of February, 1997 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) By Division Order No. R-9722, issued in Case No. 10530 and dated September 23, 1992, as amended by Order Nos. R-9722-A and R-9722-B, the West Lovington-Strawn Pool (originally designated the East Big Dog-Strawn Pool) was created and designated as an oil pool for the production of oil from the Strawn formation in Lea County, New Mexico. Said orders also promulgated special rules and regulations for said pool including provisions for standard 80-acre oil spacing and proration units subject to a depth bracket oil allowable of 445 barrels of oil per day and designated well location requirements.

(3) The West Lovington-Strawn Pool currently comprises the following described acreage in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM

Section 28: SE/4
Section 32: SE/4
Section 33: NE/4 and S/2
Section 34: S/2

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 1: Lots 1 through 8
Section 2: Lots 1 through 8

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM

Section 6: Lots 1, 2, 7, and 8.

(4) By Division Order No. R-10449, issued in Case 11195 to Gillespie-Crow, Inc. and dated August 29, 1995, the West Lovington Strawn Unit Area ("WLSU") comprising the following described 1,458.95 acres, more or less, of State, Federal, and fee lands in the designated and Undesignated West Lovington-Strawn Pool was approved for unitization under the Statutory Unitization Act, Sections 70-7-1 through 70-7-21, NMSA, (1978), which became effective October 1, 1995:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM

Section 33: All
Section 34: W/2

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 1: Lots 1 through 8

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM

Section 6: Lots 3 through 5.

(5) In October, 1995, under the authority of Division Order No. R-10448, issued in Case 11194 and dated August 29, 1995, Gillespie-Crow, Inc. instituted its West Lovington Strawn Unit Pressure Maintenance Project by the commencement of gas injection operations within said WLSU. Said Order No. R-10448 further provided for a project allowable, pursuant to Division General Rule 701.F(2), to be assigned the West Lovington Strawn Unit Pressure Maintenance Project equal to top unit allowable for the West Lovington-Strawn Pool (445 barrels of oil per day) times the number of developed (production or injection) proration units within the project area. At the time said WLSU and corresponding pressure maintenance project were established the project allowable was 4,895 barrels of oil per day.

(6) At this time the applicant in this matter, Gillespie-Crow, Inc., seeks an order

extending the horizontal limits of the West Lovington-Strawn Pool in Lea County, New Mexico to include therein:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM

Section 27: S/2 S/2
Section 28: S/2 SW/4
Section 29: S/2 SE/4
Section 32: NE/4
Section 33: NW/4
Section 34: N/2

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 1: Lots 9 through 12

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM

Section 6: Lots 3, 4, 5, 6, 11, and 12.

AND THE concomitant contraction of the West Lovington-Strawn Pool in Lea County, New Mexico by deleting therefrom:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM

Section 28: N/2 SW/4
Section 32: S/2 SE/4

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 2: Lots 1 through 8

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM

Section 6: Lots 1 and 8.

(7) Further, Gillespie-Crow, Inc., seeks the creation of a new pool for the production of oil from the Strawn formation to comprise the following described acreage in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM

Section 32: S/2 SE/4

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 2: Lots 3 through 6.

(8) At the time of the hearing Yates Petroleum Corporation appeared and

presented evidence and testimony in opposition to the Gillespie-Crow, Inc. application. The following interest owners appeared at the hearing through legal counsel in opposition to this case: Yates Drilling Company; Abo Petroleum Corporation; Myco Industries, Inc.; Hanley Petroleum, Inc.; David Petroleum Corporation; Rio Pecos Corporation; Pathfinder Exploration Company; Cannon Exploration Company; Hollyhock Corporation; Tar-Jon Corporation; Lario Oil and Gas Company; and Vierson and Cochran. Ensearch Exploration Inc. and Chesapeake Oil Company also appeared at the hearing through legal counsel.

(9) Geologic evidence presented by the applicant indicates the presence of two separate porous algal reef mounds within the horizontal limits of the West Lovington-Strawn Pool and that the following three wells are completed in and producing from a much smaller mound that is completely separated from the larger mound to the east in which the WLSU is situated:

- (i) the Charles B. Gillespie, Jr. Baer Well No. 2 (API No. 30-025-33036) located 810 feet from the South line and 2200 feet from the East line (Unit O) of Section 32, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico;
- (ii) the Amerind Oil Company, Ltd. Mobil State Well No. 1 (API No. 30-025-32846) located 330 feet from the North line and 2298 feet from the West line (Lot 3/Unit C) of Section 32, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico; and,
- (iii) the Amerind Oil Company, Ltd. Gallagher State Well No. 2 (API No. 30-025-32913) located 2646 feet from the North line and 2299 feet from the West line (Lot 6/Unit F) of said Section 32.

(10) There is sufficient justification to contract the West Lovington-Strawn Pool by the deletion therefrom of the: (i) W/2 SE/4 of Section 32, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico; and, (ii) of Lots 2, 3, 4, 5, 6, and 7 of Section 2, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico; and create a new and separate pool for the production of oil from the small mound within the Strawn formation that contributes to the three aforementioned wells in Finding Paragraph No. (9) above.

(11) The applicant at the time of the hearing proposed this new pool be

designated the "*South Big Dog-Strawn Pool*". Such name is deemed appropriate and should therefore be accepted.

(12) The applicant further seeks the promulgation of special rules for the newly created "*South Big Dog-Strawn Pool*" including provisions for 80-acre oil spacing and proration units, designated well location requirements, both of which are to be identical to those provisions currently governing the West Lovington-Strawn Pool, including the standard assigned depth bracket oil allowable of 445 barrels of oil per day for each 80-acre unit.

(13) The other pool contractions and extensions of the West Lovington-Strawn Pool as proposed by Gillespie-Crow, Inc. are not based on productive acreage. The boundary adjustment to the West Lovington-Strawn Pool should therefore only include the following acreage:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM

Section 32: W/2 SE/4

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 2: Lots 2 through 7.

Note, however, that the regulations and rules for pools extend one mile beyond their respective boundaries pursuant to Division Rule 104.A(3).

(14) There are currently eleven active wells within the West Lovington Strawn Unit Pressure Maintenance Project area, one injection well that re-injects gas into the reservoir gas cap and ten producing wells. In order to maintain adequate reservoir pressure within the WLSU, voluntary production restrictions were instituted by Gillespie-Crow, Inc. to maintain stable production and prevent harm to the reservoir.

(15) According to the geological and technical evidence presented, it appears that the larger porous algal reef mound that contains the reservoir that comprises the WLSU extends beyond the horizontal limits set forth in said Order No. R-10449. With the onset of gas re-injection operations into the reservoir gas cap of the West Lovington Strawn Unit Pressure Maintenance Project two additional wells that lay outside of the WLSU: (1) the Hanley Petroleum Inc. Chandler Well No. 1 (API No. 30-025-33175) located 330 feet from the South line and 1650 feet from the East line (Unit O) of Section 28, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico; and, (2) the Gillespie-Crow, Inc. State Well No. 1 (API No. 30-025-33068) located 1650 feet from the South and East lines (Unit J) of Section 34, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico; are both in pressure communication with WLSU wells and are also capable

of top unit allowable production. Such unrestricted rates of production from this reservoir from these wells is counter productive to the overall capabilities of this reservoir. In order to prevent waste and the premature abandonment of this reservoir, measures should be enacted to assure that adequate reservoir pressure is maintained throughout and that the gas cap within this reservoir is managed in a prudent manner. The applicant proposed that the current special pool rules promulgated by said Order No. R-9722, as amended, remain in effect with the exception of RULE 6, which would be amended to read:

"RULE 6: *A standard proration unit (79 through 81 acres) within West Lovington-Strawn Pool shall be subject to an 80 acre depth-bracket allowable of 250 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. However, as to any well located outside the boundaries of the West Lovington Strawn Unit, except the State "S" Well No. 1, located in the W/2 SE/4 of Section 34, Township 15 South, Range 35 East, the depth bracket allowable shall revert to 445 barrels of oil per day for a standard proration unit on the earlier of: (a) one year after the well's completion, unless the unit operator applies to the Division on or before that date for expansion of the unit to include said well unit; or (b) the date the well's operator proves to the Division that the well is not completed in the same reservoir as wells in the West Lovington Strawn Unit".*

FINDING: Such an amendment in effect sets a double standard for a single pool and only lends to confusion in the setting of allowables to units in a pool. In order to preserve continuity in the rules for the West Lovington-Strawn Pool and to assure fairness for all operators of wells within this reservoir a single depth bracket oil allowable of 250 barrels of oil per day for a standard 80-acre oil spacing and proration unit should be adopted for the West Lovington-Strawn Pool. Furthermore, the concept of a project allowable being assigned to the West Lovington Strawn Pressure Maintenance Project Area should cease [see Decretory Paragraph No. (14) on page 7 of Division Order No. R-10448] and all producing wells whether inside or outside the WLSU should be treated the same. No gas injection well(s) or units containing a gas injection well will be assigned or credited an allowable.

(16) The contraction of the West Lovington-Strawn Pool, and concomitant creation of the proposed South Big Dog-Strawn Pool, the adoption of special pool rules for the newly formed pool, and the amendment to the West Lovington-Strawn Pool rules, all as described above, are all in the best interests of conservation, will enable the operators to produce their just and fair share of production from the reservoirs in a prudent manner, and will otherwise serve to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The West Lovington-Strawn Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby contracted by the deletion of the following described area:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM
Section 32: W/2 SE/4

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 2: Lots 2 through 7.

(2) Concomitantly a new pool in Lea County, New Mexico, classified as an oil pool for Strawn production is hereby created and designated the South Big Dog-Strawn Pool, with vertical limits comprising the Strawn formation and the horizontal limits comprising that area described in Decretory Paragraph No. (1) above.

(3) Special Rules and Regulations for the newly created South Big Dog-Strawn Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH BIG DOG-STRAWN POOL**

RULE 1: Each well completed or recompleted in the South Big Dog-Strawn Pool or in the Strawn formation within one mile thereof, and not nearer to or within the limits of another Strawn oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

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 two quarter-quarter sections in that unit.

RULE 3: The Director of the Oil Conservation Division, hereinafter referred to as the "Division", 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 **Rule 104.D(2)** of the General Rules

and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

RULE 4: Each well shall be located no closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1020 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 6: The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of **Rule 104.F** of said General Rules and Regulations of the Division.

RULE 7: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth-bracket allowable of 445 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.

(4) The operator of any well affected by this order shall file with the appropriate District Office of the Division a new Form C-104 (Request For Allowable And Authorization To Transport Oil And Natural Gas) pursuant to Division General Rule 1104.E.

IT IS FURTHER ORDERED THAT:

(5) "RULE 6" of the "*Special Rules and Regulations for the West Lovington-Strawn Pool*", as promulgated by Division Order No. R-9722, as amended, is hereby amended to read in its entirety as follows:

" **RULE 6:** A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth-bracket allowable of 250 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."

FURTHERMORE:

(6) Decretory Paragraph (14) of Division Order No. R-10448, issued in Case

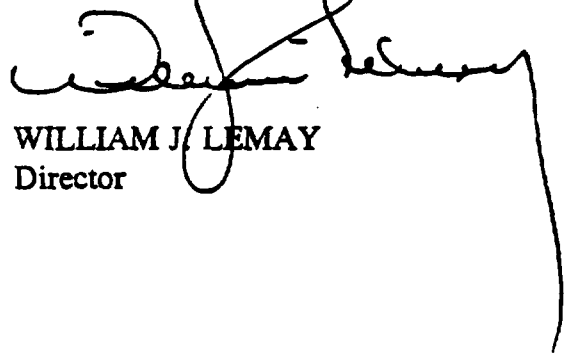
11194 and dated August 29, 1995, is hereby amended to read in its entirety as follows:

" (14) The West Lovington Strawn Pressure Maintenance Project Area shall not be assigned a project allowable. Only producing standard proration units (79 through 81 acres) shall be subject to an 80-acre depth-bracket allowable as prescribed by the applicable special rules and regulations for the West Lovington-Strawn Pool."

(7) 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



WILLIAM J. LEMAY
Director

S E A L

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 11599 (DE NOVO)
Orders Nos. R-9722-D and R-10448-B

APPLICATION OF GILLESPIE-CROW, INC.
FOR AN ALLOWABLE REDUCTION, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 14, 1997, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 14th day of August, 1997, the Commission, a quorum being present, having considered the record and being fully advised in the premises,

FINDS THAT:

Yates Petroleum Corporation and Hanley Petroleum, Inc., as applicants for hearing De Novo in this case, have requested dismissal thereof and such request should be granted.

IT IS THEREFORE ORDERED THAT:

Case No. 11599 De Novo is hereby dismissed and Division Orders Nos. R-9722-C and R-10448-A are hereby continued in full force and effect until further notice.

Case No. 11599 (De Novo)
Orders Nos. R-9722-D and R-10448-B
-2-

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

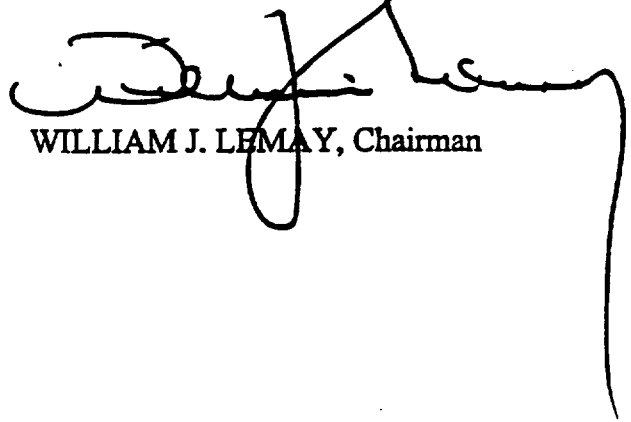
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



JAMI BAILEY, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman

SEAL

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