

**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. 13009  
ORDER NO. R-11948**

**APPLICATION OF ELM RIDGE RESOURCES, INC. FOR AN UNORTHODOX OIL  
WELL LOCATION, RIO ARriba COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on February 20, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of April, 2003, 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, Elm Ridge Resources, Inc. ("Elm Ridge"), seeks approval of an unorthodox oil well location within the Counselors Gallup-Dakota Pool for its existing State "16" Well No. 5 (API No. 30-039-26983) located 640 feet from the South line and 2290 feet from the East line (Unit O) of Section 16, Township 23 North, Range 6 West, NMPM, Rio Arriba County, New Mexico.

(3) The SE/4 of Section 16 is to be dedicated to the State "16" Well No. 5 thereby forming a standard 160-acre spacing and proration unit for the Counselors Gallup-Dakota Pool.

(4) The State "16" Well No. 5 is located within the Counselors Gallup-Dakota Pool which is currently governed by the "*Special Rules and Regulations for the Counselors Gallup-Dakota Pool*" as established by Division Order No. R-7034, as amended, which require standard 160-acre spacing and proration units and designated well location requirements such that wells be located no closer than 660 feet to the outer boundary of the spacing unit, nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary, nor closer than 1320 feet to the nearest well drilling to or capable of producing from the Counselors Gallup-Dakota Pool.

(5) The applicant presented testimony that demonstrates that:

- (a) the State "16" Well No. 5 was staked and drilled at its current location based upon Elm Ridges' belief that the only setback requirements for this well and/or pool were 330-foot setback requirements from the quarter-quarter section lines;
- (b) the Aztec District Office of the Division made a notation on the C-101 (Application for Permit to Drill, Re-Enter, Deepen, Plugback or Add a Zone) filed by Elm Ridge for the State "16" Well No. 5 that an "NSL" (Non-standard Location) approval would be necessary;
- (c) the State "16" Well No. 5 was drilled prior to any request by Elm Ridge to obtain Division approval for the unorthodox location;
- (d) the State "16" Well No. 5 is unorthodox by virtue of being 310 feet too close to the western boundary of its proration unit, 20 feet too close to the southern boundary of its proration unit, and 1,297 feet from the nearest well capable of producing from the pool, this being the Elm Ridge State "16" Well No. 4 located in Unit N of Section 16;
- (e) the S/2 of Section 16 is a common state lease with identical ownership operated by Elm Ridge; and
- (f) the affected acreage to the south is unleased federal acreage.

(6) The evidence presented demonstrates that by virtue of the interest ownership being common within the S/2 of Section 16, there are no interest owners who are adversely affected by the location of the well being 310 feet too close to the western boundary of the spacing unit.

(7) Any adverse affect by reason of the well location being 20 feet too close to the southern boundary of the spacing unit will be negligible.

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

(9) Approval of the application will afford Elm Ridge the opportunity to recover the oil and gas reserves in the Counselors Gallup-Dakota Pool underlying the SE/4 of Section 16, and will not violate correlative rights.

(10) Prior to drilling additional wells within the San Juan Basin, Elm Ridge should conduct extensive research to determine: i) the pool or pools its proposed well is to target and penetrate; and ii) the applicable rules governing these pools including well spacing and well location requirements. Subsequently, Elm Ridge should drill each of its wells in conformance with the applicable pool rules or obtain any necessary exceptions prior to drilling.

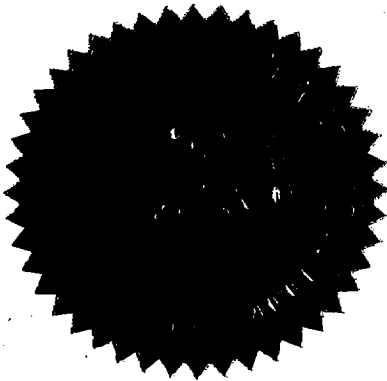
**IT IS THEREFORE ORDERED THAT:**

(1) The application of Elm Ridge Resources, Inc., for approval of an unorthodox oil well location within the Counselors Gallup-Dakota Pool for its existing State "16" Well No. 5 (API No. 30-039-26983) located 640 feet from the South line and 2290 feet from the East line (Unit O) of Section 16, Township 23 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, is hereby approved.

(2) The SE/4 of Section 16 shall be dedicated to the State "16" Well No. 5 thereby forming a standard 160-acre spacing and proration unit for the Counselors Gallup-Dakota 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.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

LORI WROTENBERY  
Director