



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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June 12, 1991

CAMBELL & BLACK
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

RE: CASE NO. 10316
ORDER NO. R-9526

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florene Davidson

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM Carlsbad Office

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. 10316
Order No. R-9526

APPLICATION OF SENDERO PETROLEUM
INC. FOR AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 30, 1991, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 11th day of June, 1991, 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, Sendero Petroleum Inc., (Sendero), seeks approval of an unorthodox gas well location in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool for its Lookout Point Federal Well No. 1 to be drilled 660 feet from the North and West lines (Unit D) of Section 24, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico. All of Section 24 would be dedicated to the well to form a standard 640-acre gas spacing and proration unit for said pool.

(3) Pool rules for the Indian Basin-Upper Pennsylvanian Gas Pool provide for 640-acre spacing and proration units and for well locations no closer than 1650 feet to the outer boundaries of the proration unit and no closer than 330 feet to any governmental quarter-quarter section.

(4) Applicant's witness submitted evidence and exhibits to show that the proposed unorthodox location is justified for geologic reasons as well as the presence of surface obstructions at an orthodox location.

A structure map, an isopach map, and a cross-section were submitted to show that the proposed location is in a better structural location than an orthodox location. Applicant's witness also testified that a highway and "Lookout Point" prevent the drilling of a well at an orthodox location.

(5) A representative of Chevron U.S.A., Inc. and Marathon Oil company appeared at the hearing and requested that a production or allowable penalty of 30% be applied against the allowable of the proposed well. This could be accomplished by assigning an acreage factor of 0.70 to the well. Sendero's witness testified that Sendero would agree to the assignment of an acreage factor of 0.70. No other offset operator or interested party objected to the proposed unorthodox location.

(6) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in the affected pool and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

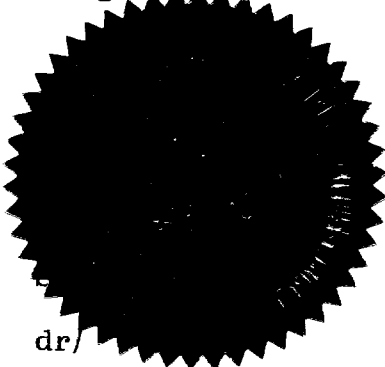
(1) An unorthodox gas well location in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool is hereby approved for the Sendero Petroleum, Inc. Lookout Point Federal Well No. 1 to be drilled 660 feet from the North and West lines (Unit D) of Section 24, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.

(2) All of said Section 24 shall be dedicated to the well to form a standard 640-acre gas spacing and proration unit for said Pool.

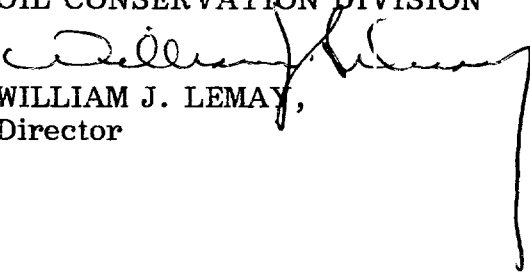
(3) For gas allowable purposes, the well shall be assigned an acreage factor of 0.70 in the Indian Basin-Upper Pennsylvanian Gas Pool.

(4) 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

dr/