

**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. 10666
Order No. R-9886**

**APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING, AN UNORTHODOX
GAS WELL LOCATION AND A NON-
STANDARD GAS SPACING AND PRORATION
UNIT, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 8, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of April, 1993, 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, Santa Fe Energy Operating Partners, L.P., seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 18, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico, in the following manner:

The E/2 forming a non-standard 320-acre gas spacing and proration unit for the McMillan-Morrow Gas Pool;

The E/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated McMillan-Wolfcamp Gas Pool;

The SE/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and,

The NE/4 SE/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated McMillan Seven Rivers-Queen Pool and Undesignated North Avalon-Bone Spring Pool.

(3) Said unit(s) are to be dedicated to a single well to be drilled 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 18, which is considered to be an unorthodox gas well location in the Morrow formation, but a standard well location for all other horizons.

(4) At the time of the hearing, the applicant requested that the portion of the case requesting the pooling of the above-described proration units be dismissed.

(5) At this time the applicant seeks only approval for a non-standard gas spacing and proration unit comprising the E/2 of Section 18 in the McMillan-Morrow Gas Pool, and approval of an unorthodox gas well location for said pool as described in Finding No. (3) above.

(6) The proposed well is located within the boundaries of the McMillan-Morrow Gas Pool and is therefore subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-2917, as amended, which require standard 640-acre spacing and proration units with wells to be located no closer than 1650 feet from the outer boundary of the proration unit nor closer than 330 feet from any governmental quarter-quarter section line.

(7) By Order No. R-5829 dated October 6, 1978, the Division limited the applicability of the Special Rules and Regulations for the McMillan-Morrow Gas Pool to Sections 13 and 24, Township 20 South, Range 26 East, NMPM, and Sections 7, 18 and 19, Township 20 South, Range 27 East, NMPM.

(8) According to evidence, testimony and Division records, Section 18 was previously developed in the McMillan-Morrow Gas Pool by the Harvey E. Yates Company Hondo Singer "C" Gas Com Well No. 1 located 1980 feet from the North and West lines (Unit F). This well was completed in the McMillan-Morrow Gas Pool in August, 1964 and before being abandoned in December, 1984, produced a cumulative volume of approximately 6.4 BCFG.

(9) The Hondo Singer "C" Gas Com Well No. 1 was previously dedicated to a standard 640-acre proration unit comprising all of Section 18.

(10) Testimony by the applicant indicates that the W/2 of Section 18 has essentially been depleted in the McMillan-Morrow Gas Pool by the aforesaid Hondo Singer "C" Gas Com Well No. 1.

(11) There are gas reserves in the E/2 of Section 18 which were not recovered by the aforesaid Hondo Singer "C" Gas Com Well No. 1.

(12) According to Division records, there are only two wells currently producing from the McMillan-Morrow Gas Pool. These wells are located, respectively, in Unit F of Section 19 and Unit H of Section 13. Both wells are marginal producers averaging less than 100 MCF gas per day.

(13) According to testimony by the applicant, the interest ownership within Section 18 is common throughout and will not be affected by reducing the spacing unit from 640 to 320 acres.

(14) The applicant's geologic evidence and testimony indicates that a well at the proposed unorthodox location should encounter a greater amount of net clean sand in the Middle Morrow interval than would a well drilled at a standard well location thereon, which should increase the likelihood of obtaining commercial gas production.

(15) The evidence indicates that the E/2 of Section 18 can be efficiently and economically drained and developed by the proposed well.

(16) No interest owner in Section 18 appeared at the hearing in opposition to the proposed non-standard spacing unit and/or unorthodox location.

(17) Applicant's evidence indicates that the affected offset acreage to the east in Section 17 is currently owned and operated by Santa Fe Energy Operating Partners, L.P.

(18) No other offset operator appeared at the hearing in opposition to the application.

(19) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

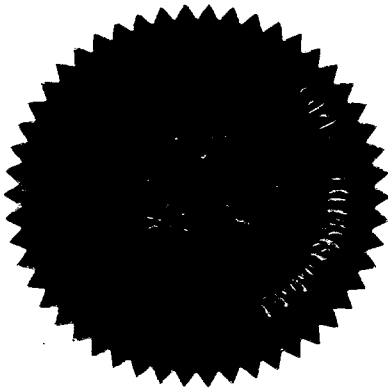
(1) The applicant, Santa Fe Energy Operating Partners, L.P., is hereby authorized to drill a well at an unorthodox gas well location in the McMillan-Morrow Gas Pool 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 18, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico.

(2) A non-standard 320-acre gas spacing and proration unit in the McMillan-Morrow Gas Pool comprising the E/2 of Section 18, Township 20 South, Range 27 East, NMPM, is hereby established and dedicated to the above-described well.

(3) The portion of the case requesting the pooling of the E/2, SE/4 and NE/4 SE/4 of Section 18, Township 20 South, Range 27 East, NMPM, is hereby dismissed.

(4) 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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director