

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. 10718
Order No. R-9898

**APPLICATION OF S & J OPERATING COMPANY FOR AN UNORTHODOX OIL
WELL LOCATION, CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 22, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 19th day of May, 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, S & J Operating Company, seeks approval for an unorthodox oil well location 566 feet from the South line and 15 feet from the West line (Unit M) of Section 29, Township 11 South, Range 28 East, NMPM, Chaves County, New Mexico, to test the Fusselman formation.
- (3) The Fusselman formation is subject to the Division's Statewide Rules and Regulations which require standard 40-acre spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit.
- (4) The SW/4 SW/4 of said Section 29 is to be dedicated to said well forming a standard 40-acre oil spacing and proration unit.

(5) The geologic evidence presented at the hearing included three dimensional seismic data, which indicates the presence of a "rollover anticline" in the Fusselman formation that is bounded to the west by a north-south trending fault. A well at the proposed unorthodox location would serve to penetrate the top of this relatively small structure at its highest point.

(6) Said geologic evidence was somewhat substantiated by information obtained from a nearby well drilled by Fred Pool Drilling, Inc., the Mesquite Tank Well No. 1 located 660 feet from the South and West lines (Unit M) of said Section 29, which was completed in the Fusselman formation, perforations from 7286 feet to 7288 feet, and produced small amounts of oil before being plugged back to a shallower interval.

(7) A well drilled at the proposed location should increase the likelihood of encountering oil production from the Fusselman formation in commercial quantity.

(8) Additional testimony at the hearing shows the minerals underlying Sections 29, 30, 31 and 32, Township 11 South, Range 28 East, NMPM, Chaves County, New Mexico are subject to a "Royalty Pooling Agreement" whereby royalty interests are considered to be uniform throughout. Also, the applicant is the lessee of the proposed 40-acre spacing unit and all surrounding 40-acre tracts. Correlative rights therefore appear to be protected.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of oil in the affected interval, 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 serve to prevent waste.

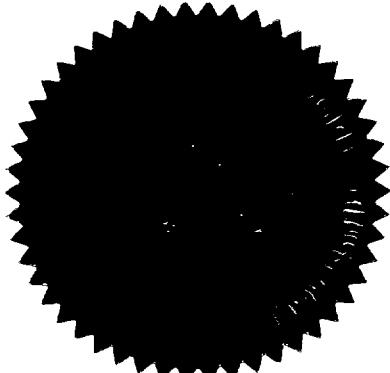
IT IS THEREFORE ORDERED THAT:

(1) The application of S & J Operating Company for an unorthodox oil well location to test the Fusselman formation is hereby approved for a well to be drilled 566 feet from the South line and 15 feet from the West line (Unit M) of Section 29, Township 11 South, Range 28 East, NMPM, Chaves County, New Mexico.

(2) The SW/4 SW/4 of said Section 29 shall be dedicated to said well forming a standard 40-acre oil spacing and proration unit.

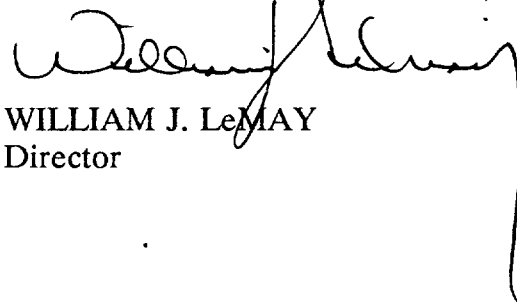
(3) Jurisdiction of this cause is hereby retained for the entry of such further orders as the Division may deem necessary.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "William J. LeMay". The signature is written over the printed name and title.

WILLIAM J. LeMAY
Director