

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. 10828
Order No. R-9904-A

APPLICATION OF SANTA FE ENERGY OPERATING PARTNERS, L.P. FOR AN
UNORTHODOX GAS WELL LOCATION AND TO AMEND ORDER NO. R-9904, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 23, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of October, 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) By Division Order No. R-9904, dated June 4, 1993, the applicant, Santa Fe Energy Operating Partners, L.P., obtained an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described areas in Section 18, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, and in the following manner:

- the N/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 Quail Ridge-Morrow Gas Pool and Undesignated Teas-Pennsylvanian Gas Pool;

- the NE/4 forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and,
- the NW/4 NE/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 Teas-Yates Seven Rivers Pool and Undesignated Teas-Bone Spring Pool.

Said units were to be dedicated to the applicant's Sinagua "18" Federal Well No. 1 to be drilled at a standard location 660 feet from the North line and 2130 feet from the East line (Unit B) of Section 18.

(3) *The subject land is located on Federal lease land and in early February 1993 the applicant had filed with the U.S. Bureau of Land Management (BLM) an application for permit to drill (APD) for said well. On July 1, 1993, the BLM denied this APD due to possible potash mineralization at the above well location. Further, the BLM informed the applicant that it would approve a location 2210 feet from the North and East lines (Unit G) of said Section 18, which is within 150 feet of the existing Wallen Federal Well No. 7, located 2310 feet from the North and East lines of said Section 18, which produces from the Teas-Yates Seven Rivers Pool.*

FINDING: As a result of the foregoing, the applicant sought with this hearing to amend Order No. R-9904 to permit the drilling of the well at said "2210/2210" location in Section 18, which is considered to be unorthodox in the N/2 and NE/4 of this section for those producing intervals spaced on 320 and 160 acres, respectively. Said location is considered to be a standard oil well location in the SW/4 NE/4 (Unit G) of the section for those intervals spaced on 40 acres.

(4) *Subsequent to the hearing Wallen Production Company filed an objection with the BLM on the proposed "2210/2210" location in Unit G and on October 20, 1993, the applicant met with the BLM to discuss alternate well sites. Apparently the BLM verbally authorized a well location 1650 feet from the North line and 2210 feet from the East line, also in Unit G, of said Section 18.*

FINDING: The "1650/2210" location in Unit G is standard for a 320-acre unit comprising the N/2 of said Section 18 and is standard for a 40-acre oil spacing and proration unit comprising the SW/4 NE/4 of the section. However, the location is still considered to be unorthodox for a 160-acre spacing unit comprising the NE/4, but is somewhat less unorthodox than the "2210/2210" location.

(5) Evidence submitted at the hearing concerning the continuation of those provisions that force pooled the N/2 and NE/4 of said Section 18, the 200 percent risk penalty factor, and the necessity of locating this well at an alternate location other than the one approved by the order should be approved. However, no additional testimony was presented concerning the forced pooling of that 40-acre tract comprising the SW/4 NE/4 (Unit G) of said Section 18 to warrant approval of this change.

(6) Considering the circumstances concerning this matter such request is not unreasonable and would serve to prevent waste, protect correlative rights and prevent the drilling of unnecessary wells.

(7) No interested party or offset operator appeared at the hearing in objection to this application.

(8) All provisions of said Order No. R-9904 shall remain in full force and effect with the exception of the following changes:

- a) that portion of Decretory Paragraph No. 1 pooling the NW/4 NE/4 of said Section 18 should be deleted;
- b) all references to the location of the Sinagua "18" Federal Well No.1 should be changed to reflect approval of the proposed "1650/2210" unorthodox location; and,
- c) the commencement date for the proposed well as stated in Decretory Paragraph No. 1 should be amended to accurately reflect the approved extension date of November 1, 1993, which was authorized by letter from the Division Director dated August 4, 1993.

(9) All amendments to said Order No. R-9904 should be made effective as of June 4, 1993.

IT IS THEREFORE ORDERED THAT:

(1) Decretory Paragraph No. 1 on pages 3 and 4 of Division Order No. R-9904, dated June 4, 1993, being one and the same shall be amended to read in its entirety as follows:

"(1) All mineral interests, whatever they may be, from the surface to the base of the Morrow formation underlying the following described areas in Section 18, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, are hereby pooled in the following manner:

- the N/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 includes but is not necessarily limited to the Undesignated Quail Ridge-Morrow Gas Pool and Undesignated Teas-Pennsylvanian Gas Pool; and,
- the NE/4 forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent.

Said units shall be dedicated to the applicant's Sinagua "18" Federal Well No. 1 to be drilled at an unorthodox gas well location 1650 feet from the North line and 2210 feet from the East line (Unit G) of said Section 18.

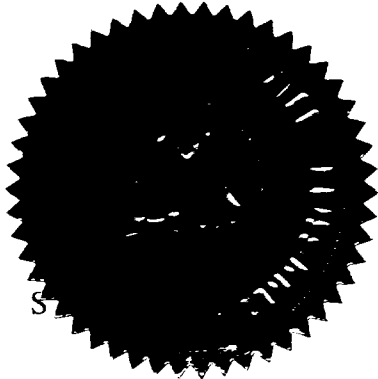
PROVIDED HOWEVER THAT, the operator of said units shall commence the drilling of said well on or before the 1st day of November, 1993, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well before the 1st day of November, 1993, Decretory Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division Director for good cause shown.

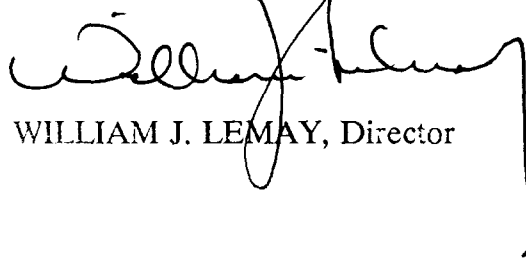
PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Decretory Paragraph No. (1) of this order should not be rescinded."

- (2) Said amendments shall be made effective as of June 4, 1993.
- (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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY, Director