



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



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November 9, 1993

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

RE: CASE NO. 10860
ORDER NO. R-10015

Dear Sir:

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

Sincerely,

Sally E. Martinez
Sally E. Martinez
Administrative Secretary

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. 10860
Order No. R-10015**

**APPLICATION OF ARMSTRONG ENERGY
CORPORATION FOR AN UNORTHODOX
OIL WELL LOCATION, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 4, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 9th day of November, 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, Armstrong Energy Corporation, seeks authority to drill its proposed Mobil Lea State Well No. 4 at an unorthodox oil well location 1155 feet from the South line and 1770 feet from the West line (Unit N) of Section 2, Township 20 South, Range 34 East, NMPM, Northeast Lea-Delaware Pool, Lea County, New Mexico.

(3) The applicant proposes to dedicate the SE/4 SW/4 of Section 2 to the subject well forming a standard 40-acre oil spacing and proration unit for said pool.

(4) The subject well is located within the Northeast Lea-Delaware Pool which is currently governed by Statewide Rules and Regulations including 40-acre spacing with wells to be located no closer than 330 feet from the outer boundary of the spacing unit.

(5) According to applicant's geologic evidence, a well at the proposed unorthodox location should penetrate the Cherry Canyon member of the Delaware formation at a more structurally advantageous position than a well drilled at a standard well location thereon.

(6) In addition, a well at the proposed unorthodox location should penetrate the Cherry Canyon member of the Delaware formation at a position 10-20 feet higher above the oil-water contact than a well drilled at a standard location thereon.

(7) Such gain in structural position should allow the applicant to recover more oil and gas than would normally be recovered by a well at a standard location thereon.

(8) The affected offset acreage to the north is owned and operated by Armstrong Energy Corporation.

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

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil 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.

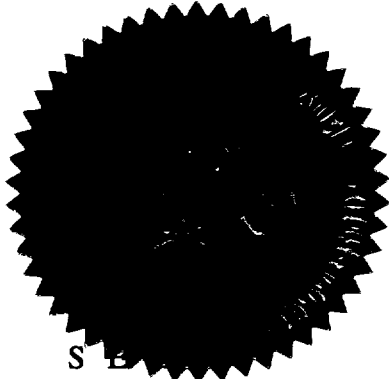
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Armstrong Energy Corporation, is hereby authorized to drill its Mobil Lea State Well No. 4 at an unorthodox oil well location 1155 feet from the South line and 1770 feet from the West line (Unit N) of Section 2, Township 20 South, Range 34 East, NMPM, Northeast Lea-Delaware Pool, Lea County, New Mexico.

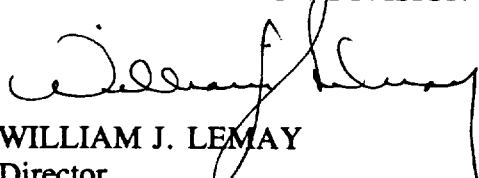
(2) The SE/4 SW/4 of Section 2 shall be dedicated to the subject well forming a standard 40-acre oil spacing and proration unit for said pool.

(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