

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. 10890
Order No. R-10049

**APPLICATION OF SANTA FE ENERGY OPERATING PARTNERS, L.P. 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 January 6, 1994, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 11th day of January, 1994, 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 approval of an unorthodox oil well location for its Kachina "5" Well No. 7, to be drilled 2130 feet from the North line and 990 feet from the West line (Unit E) of Section 5, Township 18 South, Range 33 East, NMPM, Undesignated South Corbin-Wolfcamp Pool, Lea County, New Mexico.

(3) The S/2 NW/4 of Section 5 is to be dedicated to the subject well forming a standard 80-acre oil spacing and proration unit for said pool.

(4) At the time of the hearing the applicant testified that the subject location was inside the South Corbin-Wolfcamp Pool boundary, however this is not the case. The proposed well location and 80-acre unit is within one mile of the South Corbin-Wolfcamp Pool boundary line and is therefore subject to the Special Rules and Regulations for said pool, as promulgated by Division Order No. R-8181-B, which require standard 80-acre oil spacing and proration units with wells to be located within 150 feet of the center of a governmental quarter-quarter section.

(5) The proposed unorthodox location is necessitated by both topographic and geologic considerations.

(6) The desired location for a Wolfcamp oil well in the proposed 80-acre unit, according to the testimony presented at the hearing, is in the SE/4 NW/4 of said Section 5. The existence of a producing Queen oil well, the OXY USA Inc. Wyatt "A" Federal Well No. 6, located 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section 5, prevents the applicant from drilling in the center of this quarter-quarter section. The geological evidence presented by the applicant indicates that a move to the southeast is the favored direction for an alternate location for the subject well. An aqueduct or fresh water supply line traverses this quarter-quarter section to the southeast of the aforementioned OXY well, which prevents the applicant from locating a well at a standard oil well location to the southeast of the center of the SE/4 NW/4 of said Section 5. The subject unorthodox location, being a reasonable distance from the aqueduct, is also considered to be overlying the Wolfcamp formation at a more favorable geologic position.

(7) The subject well is encroaching on offset acreage to the South, which is operated by the applicant. However, the applicant did notify offsetting working interest owners of the hearing.

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

(9) 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.

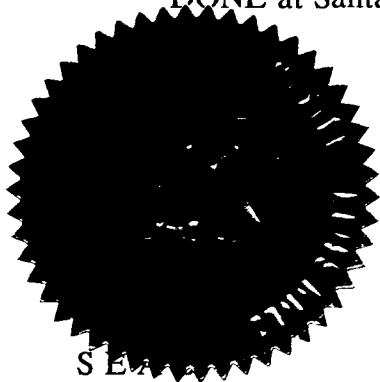
IT IS THEREFORE ORDERED THAT:

(1) The application of Santa Fe Energy Operating Partners, L.P. for an unorthodox oil well location for its Kachina "5" Well No. 7, to be drilled 2130 feet from the North line and 990 feet from the West line (Unit E) of Section 5, Township 18 South, Range 33 East, NMPM, Undesignated South Corbin-Wolfcamp Pool, Lea County, New Mexico, is hereby approved.

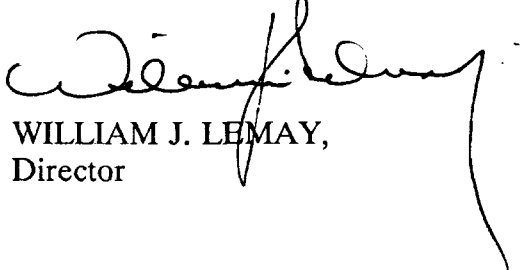
(2) The S/2 NW/4 of Section 5 shall be dedicated to the above-described well forming a standard 80-acre oil spacing and proration unit for said pool.

(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