



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



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March 11, 1994

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

RE: CASE NO. 10925
ORDER NO. R-10077

Dear Sir:

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

Sincerely,

Sally 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. 10925
Order No. R-10077**

**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 March 3, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 9th day of March, 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, Armstrong Energy Corporation, seeks authorization to drill its Mobil Lea State Well No. 5 at an unorthodox oil well location 2440 feet from the North line and 870 feet from the West line (Unit E) 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 SW/4 NW/4 of Section 2 to the above-described well forming a standard 40-acre oil spacing and proration unit for said pool.
- (4) The geologic evidence presented by the applicant indicates that the Delaware producing section within this area is comprised of four separate sand intervals. The primary and secondary targets within the subject well, respectively, are the third and first sand intervals.

(5) The geologic evidence further indicates that a well at the proposed unorthodox location should encounter a greater amount of net sand within the first and third sand intervals than a well drilled at a standard well location thereon, thereby increasing the likelihood of obtaining commercial oil production.

(6) Due to the projected rapid thinning of pay sand within the first and third sand intervals to the north and northwest of the proposed unorthodox location, drilling a well at a standard well location presents considerable geologic risk.

(7) The affected offset acreage, being the NW/4 SW/4 of Section 2, is owned and operated by Armstrong Energy Corporation.

(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.

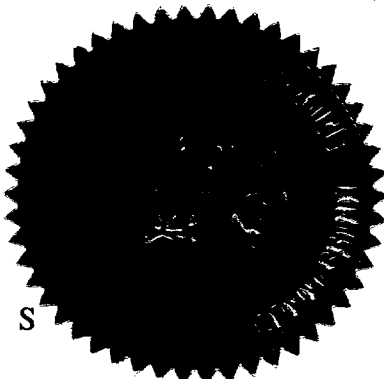
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Armstrong Energy Corporation, is hereby authorized to drill its Mobil Lea State Well No. 5 at an unorthodox oil well location 2440 feet from the North line and 870 feet from the West line (Unit E) of Section 2, Township 20 South, Range 34 East, NMPM, Northeast Lea-Delaware Pool, Lea County, New Mexico.

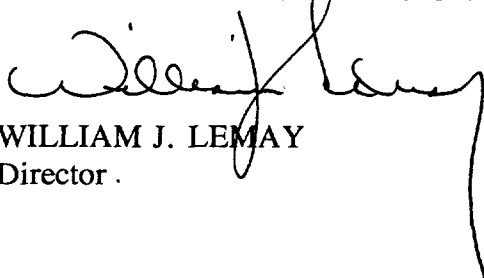
(2) The SW/4 NW/4 of Section 2 shall be dedicated to the above-described well forming a standard 40-acre oil spacing and proration unit for said pool.

(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 .