

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. 9858
ORDER NO. R-9107

APPLICATION OF BANNON ENERGY
INCORPORATED FOR AN UNORTHODOX
OIL WELL LOCATION AND SIMULTANEOUS
DEDICATION, RIO ARriba COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 24, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day of February, 1990, 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, Bannon Energy Incorporated, seeks approval of an unorthodox oil well location for its Federal "8" Well No. 2 to be drilled 351 feet from the South line and 2171 feet from the East line (Unit O) of Section 8, Township 23 North, Range 6 West, NMPM, to test the Counselors Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico.

(3) The SE/4 of said Section 8 is to be simultaneously dedicated to the above-described well and to the Federal "8" Well No. 1 located at a previously approved unorthodox oil well location (NSL-2696) 2173 feet from the South line and 495 feet from the East line (Unit I) of said Section 8 forming a standard 160-acre oil spacing and proration unit.

(4) No offset operator objected to the proposed second unorthodox oil well location on said unit or to the simultaneous dedication of production therefrom.

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(5) The applicant first sought approval for this application through the administrative process as provided for under Rule 5 of the Special Rules and Regulations for the Counselors Gallup-Dakota Oil Pool, as promulgated by Division Order No. R-7034, as amended.

(6) It was subsequently determined that this application did not meet the requirements for administrative approval and was therefore set to hearing.

(7) It is the applicant's contention, determined after verbal testimony at the hearing, to locate this second well on said 160-acre unit within the SW/4 SE/4 of said Section 8 in order to maximize drainage from said unit; however, due to archeological constraints, this second well is being proposed at an unorthodox gas well location which crowds both the south and west lines of the unit.

(8) The applicant relied only on archeological testimony and evidence to support the subject unorthodox oil well location.

(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:

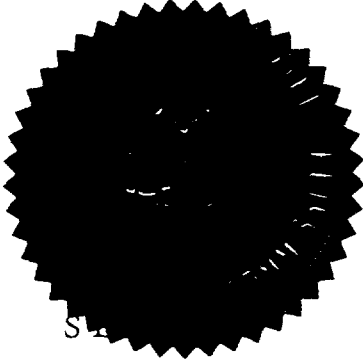
(1) The application of Bannon Energy Incorporated for an unorthodox oil well location for the Counselors Gallup-Dakota Oil Pool is hereby approved for its Federal "8" Well No. 2 to be drilled 351 feet from the South line and 2171 feet from the East line (Unit O) of Section 8, Township 23 North, Range 6 West, NMPM, to test the Counselors Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico.

(2) The SE/4 of said Section 8 is to be simultaneously dedicated to the above-described well and to the Federal "8" Well No. 1 located at a previously approved unorthodox oil well location (NSL-2696) 2173 feet from the South line and 495 feet from the East line (Unit I) of said Section 8 forming a standard 160-acre oil spacing and proration unit.

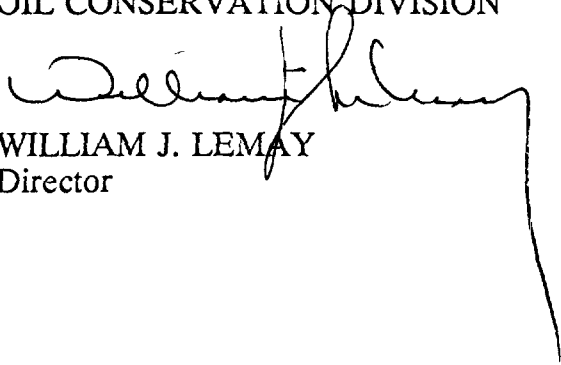
(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director