

Memo

From

DAVID CATANACH

Petroleum Engineer

To Undesignated

Sage Energy Company

Unorthodox well location for the
John Etcheberry No 2 well located
560 feet from the South line and
1100 feet from the West line of Section
29, T-14 South, R-34 East,
West Texas Papalote Penn Pool, Lea
County, N.M. SW 1/4 of said
Section to be dedicated to well.

160 acre oil
gas, oil?

160 acre oil
Special Pool rules
within 150' of center
8-8.

Sage Energy

P.O. Drawer 3068

Midland, TX. 79702

Attn: Jay Hardy

Oil Conservation Division

PO Box 2088, Santa Fe, New Mexico 87501

(WEST TRES PAPALOTES-PENNSYLVANIAN POOL -
Cont'd.)

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 160-acre spacing units should be promulgated for the West Tres Papalotes-Pennsylvanian Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(7) That this case should be reopened at an examiner hearing in April, 1973, at which time the operators in the subject pool should be prepared to appear and show cause why the West Tres Papalotes-Pennsylvanian Pool should not be developed on less than 160-acre spacing units.

(8) That the horizontal limits of the Tres Papalotes-Pennsylvanian Pool, Lea County, New Mexico, should be contracted by deleting therefrom the SW/4 of Section 28 and the S/2 of Section 29, Township 14 South, Range 34 East, NMPM.

IT IS THEREFORE ORDERED:

(1) That the horizontal limits of the Tres Papalotes-Pennsylvanian Pool, Lea County, New Mexico, are hereby contracted by the deletion therefrom of the following described area:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM
Section 28: SW/4
Section 29: S/2

(2) That a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production, is hereby created and designated the West Tres Papalotes-Pennsylvanian Pool, with vertical limits comprising the Pennsylvanian formation as found in the interval from 10,378 feet to 10,512 feet on the log of the discovery well, Mark Production Company's Etcheverry Well No. 1, located in Unit L of Section 29, Township 14 South, Range 34 East, NMPM, Lea County, New Mexico, and horizontal limits comprising the following-described area:

LEA COUNTY, NEW MEXICO
TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM
— Section 29: SW/4
Section 30: SE/4
Section 31: E/2
Section 32: NW/4

(3) That temporary Special Rules and Regulations for the West Tres Papalotes-Pennsylvanian Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
WEST TRES PAPALOTES-PENNSYLVANIAN POOL

RULE 1. Each well completed or recompleted in the West Tres Papalotes-Pennsylvanian Pool or in the Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another designated Pennsylvanian oil pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Land Surveys.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

RULE 6. A standard proration unit (158 through 162 acres) shall be assigned a 160-acre proportional factor of 7.67 for allowable purposes, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the West Tres Papalotes-Pennsylvanian Pool or in the Pennsylvanian formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before May 1, 1972.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the West Tres Papalotes-Pennsylvanian Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 160 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable.

(3) That this case shall be reopened at an examiner hearing in April, 1973, at which time the operators in the subject pool may appear and show cause why the West Tres Papalotes-Pennsylvanian Pool should not be developed on less than 160-acre spacing units.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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