

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. 9702
Order No. R-8971

APPLICATION OF SANTA FE
EXPLORATION COMPANY FOR AN
UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 26, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 11th day of August, 1989, 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 Exploration Company, seeks approval of an unorthodox gas well location 660 feet from the South and West lines (Unit M) of Section 36, Township 17 South, Range 26 East, NMPM, to test the Morrow formation, Undesignated Atoka-Pennsylvanian Gas Pool, Undesignated Red Lake-Pennsylvanian Gas Pool, or Undesignated Kennedy Farms-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of said Section 36 to be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pools.

(3) The applicant presented geologic evidence at the hearing which indicates that a well drilled at the proposed location should encounter the Morrow formation at a more structurally advantageous position and in an area of greater sand thickness than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial gas production.

(4) The evidence presented further indicates that the proposed well location is offset to the east by the Big Boggy State Well No. 1 which was drilled by Harvey E. Yates at a location 990 feet from the South line and 2080 feet from the East line (Unit O) of said Section 36, and was subsequently plugged and abandoned after testing non-commercial in the Morrow formation.

(5) The proposed well location is also offset to the west by the Marjorie Naylor Well No. 1 which was drilled by David Fasken at a location 990 feet from the South line and 1650 feet from the East line (Unit O) of Section 35, which was drilled through the Pennsylvanian formation and subsequently plugged and abandoned.

(6) A well at the proposed unorthodox location will better enable the applicant to produce the gas underlying the proposed proration unit.

(7) No offset operator appeared at the hearing in opposition to the application.

(8) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool(s), 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.

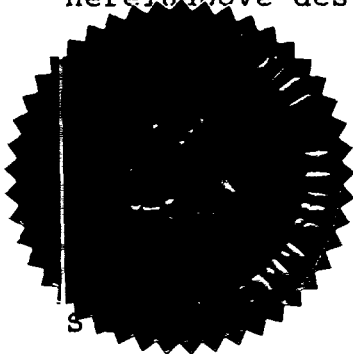
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Santa Fe Exploration Company, is hereby authorized to drill a well at an unorthodox gas well location 660 feet from the South and West lines (Unit M) of Section 36, Township 17 South, Range 26 East, NMPM, to test the Morrow formation, Undesignated Atoka-Pennsylvanian Gas Pool, Undesignated Red Lake-Pennsylvanian Gas Pool, or Undesignated Kennedy Farms-Morrow Gas Pool, Eddy County, New Mexico.

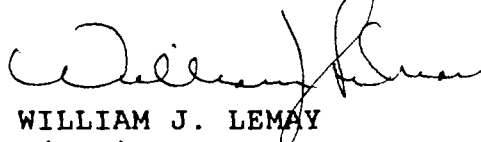
(2) The S/2 of said Section 36 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pools.

(3) Jurisdiction of this cause is 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