

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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TELECOPIER: (505) 983-6043

September 20, 1996

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RECEIVED

SEP 20 1996

Oil Conservation Division

MS

Re: Oil Conservation Division Case No. 11614:
Application of InterCoast Oil and Gas Company for approval of a unit
agreement and an unorthodox well location, Lea County, New Mexico

Dear Mr. LeMay:

InterCoast Oil and Gas Company respectfully requests that this matter which is currently set on the Division docket for the September 26, 1996 hearings be continued to the October 3, 1996 Examiner docket.

Your attention to this matter is appreciated.

Very truly yours,

Tanya Trujillo

WILLIAM F. CARR

WFC:mlh

cc: Mr. Rick Deffenbaugh



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

November 4, 1996

RE: Case No. 11614
Order No. R-10693

Mr. William F. Carr
Campbell, Carr, Berge & Sheridan
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Dear Mr. Carr:

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

Sincerely,

Florene Davidson

Florene Davidson
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

BLM - Carlsbad
Pete Martinez - State Land Office
Ms. Anna Crook

10/30/96

Florence/Sally —

Please send copy of the
order in Case No. 11614

re: InterCoastals application for
a Unit Agreement to:

Anna Crook [A state representative,
1041 Fairway no less, with that
Clovis, NM 88101 last name]

Thanks.

Land

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& SHERIDAN, P.A.
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October 15, 1996

Mike Stogner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, NM 87505

9-15-96
601 101
Oil Conservation

Re: Application of InterCoast Oil and Gas Company for Approval of a Unit
Agreement and an Unorthodox Oil Well Location, Lea County, New
Mexico

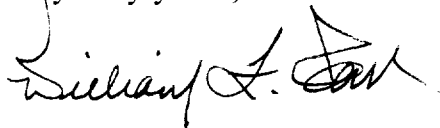
Dear Mr. Stogner:

Enclosed please find the original and two (2) copies of InterCoast Oil and Gas Company's
Proposed Order of the Division for your review and signature of Mr. LeMay.

Please call my secretary Martha once the Proposed Order has been signed and we will have
it picked up.

Please contact me with any questions.

Very truly yours,



WILLIAM F. CARR

WFC/edr
Enclosure
cc: Rick Deffenbaugh, w/ enclosure

**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. 11614
ORDER NO. R-_____**

**APPLICATION OF INTERCOAST OIL
AND GAS COMPANY FOR APPROVAL
OF A UNIT AGREEMENT AND AN
UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO.**

**INTERCOAST OIL AND GAS COMPANY'S
PROPOSED ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 3, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of October, 1996, The Division Director, having considered the testimony, the record and the recommendations of the Examiner, and otherwise 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, InterCoast Oil and Gas Company, seeks approval of the Savage Exploratory Unit Agreement for all oil and gas in the Devonian formation underlying the

W/2 NE/4 and the E/2 NW/4 of Section 34, Township 14 South, Range 38 East, N.M.P.M., Lea County, New Mexico, comprising some 160 acres of Fee land.

(3) The applicant further seeks approval for an unorthodox oil well location for its proposed Savage 34-2 Well to be drilled 1275 feet from the North line and 2600 feet from the East line (Unit B) of Section 34, as a wildcat well to test the Devonian formation.

(4) The NW/4 NE/4 of Section 34 is to be dedicated to the above-described well forming a standard 40-acre spacing or proration unit for said well.

(5) By utilizing 3D seismic data, the applicant has identified a Devonian structure within the proposed unit area.

(6) The evidence presented indicates that a well at the proposed unorthodox oil well location should:

a) penetrate the Devonian formation within the unit area at the highest structural position, thereby allowing the recovery of "attic" oil thereby preventing waste, and:

b) drain and develop both the W/2 NE/4 and the E/2 NW/4 of Section 34.

(7) The subject well is encroaching only on acreage to be included in the proposed unit.

(8) The proposed unit agreement provides that the owners of interest in the W/2 NE/4 and the E/2 NW/4 of Section 34 will share equally in the production from the subject well, thereby assuring that correlative rights will be protected.

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

(10) Approval of the proposed unorthodox well location 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 as excessive number of wells and will otherwise prevent waste and protect correlative rights.

(11) All plans of development and operation, and creations, expansions or contractions of participating areas, or expansions or contractions of the unit area should be submitted to the Director of the Division for approval.

(12) Approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) The Savage Exploratory Unit is hereby approved for all oil and gas in the Devonian Formation underlying the W/2 NE/4 and the E/2 NW/4 of Section 34, Township 14 South, Range 38 East, N.M.P.M., Chaves County, New Mexico, comprising some 160 acres of Fee land.

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof: in the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, counterparts of the unit agreement reflecting the subscription of those having joined or ratified.

(4) All plans of development and operation, all unit participating areas and expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

CASE NO. 10980

Order No. R-_____

Page -4-

(5) This order shall terminate ipso facto upon the termination of said unit agreement, and the last unit operator shall notify the Division immediately in writing of such termination.

(6) The applicant is further authorized to drill its Savage 34-2 Well at an unorthodox oil well location 1275 feet from the North line and 2600 feet from the East line of Section 34 (Unit B), as a wildcat well to test the Devonian formation.

(7) The NW/4 NE/4 of Section 34 shall be dedicated to the subject well forming a standard 40-acre oil spacing and proration unit for said well.

(8) 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

S E A L

COPY

**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. 11614
ORDER NO. R-_____**

**APPLICATION OF INTERCOAST OIL
AND GAS COMPANY FOR APPROVAL
OF A UNIT AGREEMENT AND AN
UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO.**

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PROPOSED ORDER OF THE DIVISION**

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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, InterCoast Oil and Gas Company, seeks approval of the Savage Exploratory Unit Agreement for all oil and gas in the Devonian formation underlying the

W/2 NE/4 and the E/2 NW/4 of Section 34, Township 14 South, Range 38 East, N.M.P.M., Lea County, New Mexico, comprising some 160 acres of Fee land.

(3) The applicant further seeks approval for an unorthodox oil well location for its proposed Savage 34-2 Well to be drilled 1275 feet from the North line and 2600 feet from the East line (Unit B) of Section 34, as a wildcat well to test the Devonian formation.

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(6) The evidence presented indicates that a well at the proposed unorthodox oil well location should:

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b) drain and develop both the W/2 NE/4 and the E/2 NW/4 of Section 34.

(7) The subject well is encroaching only on acreage to be included in the proposed unit.

(8) The proposed unit agreement provides that the owners of interest in the W/2 NE/4 and the E/2 NW/4 of Section 34 will share equally in the production from the subject well, thereby assuring that correlative rights will be protected.

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IT IS THEREFORE ORDERED:

(1) The Savage Exploratory Unit is hereby approved for all oil and gas in the Devonian Formation underlying the W/2 NE/4 and the E/2 NW/4 of Section 34, Township 14 South, Range 38 East, N.M.P.M., Chaves County, New Mexico, comprising some 160 acres of Fee land.

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

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CASE NO. 10980

Order No. R-_____

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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

S E A L