

**STATE OF NEW MEXICO
ENERGY, MINERAL 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. 10958
Order No. R-10107**

**APPLICATION OF HANAGAN PETROLEUM
CORPORATION FOR AN UNORTHODOX OIL
WELL LOCATION, CHAVES COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 14, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 26th day of April, 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, Hanagan Petroleum Corporation, seeks approval to drill its Leapin Lizard Well No. 1 at an unorthodox oil well location 421 feet from the North line and 2381 feet from the West line (Unit C) of Section 4, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico, to test the Undesignated South Lone Wolf-Devonian Pool.

(3) The applicant proposes to dedicate Lot 3 (NE/4 NW/4) of Section 4 to the subject well forming a standard 39.68-acre oil spacing and proration unit for said pool.

(4) According to applicant's testimony, it has conducted 3-D seismic work within Section 4 to aid in determining the location of the Devonian structure.

(5) The seismic data indicates the presence of a small Devonian structure within the NE/4 NW/4 of Section 4, and also indicates the presence of a north-south trending fault which approximately bisects this quarter-quarter section.

(6) Applicant's geologic interpretation indicates that a well drilled at the proposed unorthodox location should penetrate the Devonian formation at a higher structural position than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial hydrocarbon production.

(7) In addition, the proposed unorthodox location is necessary in order to reduce the risk of encountering the fault, whose exact location is undetermined.

(8) All of the affected offset acreage is owned and controlled jointly by Hanagan Petroleum Corporation and Marathon Oil Company.

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

(10) 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.

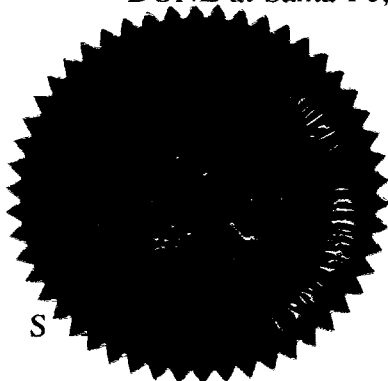
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Hanagan Petroleum Corporation, is hereby authorized to drill its Leapin Lizard Well No. 1 at an unorthodox oil well location 421 feet from the North line and 2381 feet from the West line (Unit C) of Section 4, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico, to test the Undesignated South Lone Wolf-Devonian Pool.

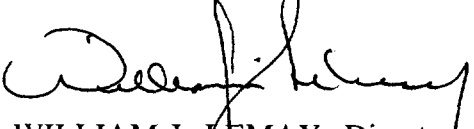
(2) Lot 3 (NE/4 NW/4) of Section 4 shall be dedicated to the subject well forming a standard 39.68-acre oil spacing and proration unit for said pool.

(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