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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. 10980
ORDER NO. R-10125

APPLICATION OF ODYSSEY PARTNERS
LTD. FOR A UNIT AGREEMENT AND AN
UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 26, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 3rd day of June, 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, Odyssey Partners, Ltd., seeks approval of the Marigold Unit Agreement for all oil and gas in any and all formations underlying the SW/4 SE/4 of Section 6, and the NW/4 NE/4 of Section 7, both in Township 12 South, Range 38 East, NMPM, Lea County, New Mexico, comprising some 80 acres of Federal and Fee lands.
- (3) The applicant further seeks approval for an unorthodox oil well location for its proposed Kinsolving "7" Well No. 2 to be drilled 100 feet from the North line and 2075 feet from the East line (Unit B) of Section 7, to test the Devonian formation, Gladiola-Devonian Pool.
- (4) The NW/4 NE/4 of Section 7 is to be dedicated to the above-described well forming a standard 40-acre oil spacing and proration unit for said pool.

(5) According to applicant's evidence and testimony, both the SW/4 SE/4 of Section 6 and the NW/4 NE/4 of Section 7 have previously been developed in the Gladiola-Devonian Pool, however, there are currently no wells producing within these tracts.

(6) By utilizing 3-D seismic data, the applicant has identified a Devonian structure within the proposed unit area. Applicant's geologic evidence further indicates that the two wells which previously developed this structure within the proposed unit area penetrated this structure at relatively low positions.

(7) 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 an estimated 650,000 barrels of previously unrecovered "attic" oil, thereby preventing waste, and;
- b) drain and develop both the SW/4 SE/4 of Section 6 and the NW/4 NE/4 of Section 7.

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

(9) The proposed unit agreement provides that the owners of interest in the SW/4 SE/4 of Section 6 and the NW/4 NE/4 of Section 7 will share equally in the production from the subject well, thereby assuring that correlative rights will be protected.

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

(11) Approval of the proposed unorthodox 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 an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(12) 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.

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