

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. 12817
ORDER NO. R-11854

APPLICATION OF TMBR/SHARP DRILLING, INC. FOR AN UNORTHODOX OIL
WELL LOCATION AND A NON-STANDARD OIL SPACING AND PRORATION
UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 21, 2002, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

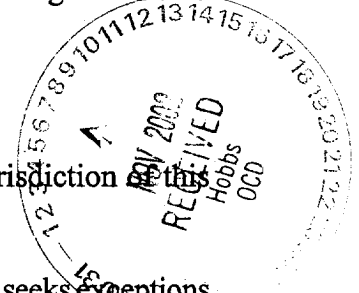
NOW, on this 4th day of November, 2002, the Division Director, having considered the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, TMBR/Sharp Drilling, Inc. ("TMBR/Sharp"), seeks exceptions to Rules 2 and 3 of the "*Special Rules and Regulations for the East Saunders Permo-Pennsylvanian Pool*," as promulgated by Division Order No. R-2359, as amended, in order to: (i) establish a non-standard 160-acre oil spacing and proration unit comprising the S/2 NW/4 and N/2 SW/4 of Section 10, Township 14 South, Range 34 East, NMPM, Lea County, New Mexico within the Undesignated East Saunders Permo-Pennsylvanian Pool (54960); and (ii) dedicate thereon its existing TMBR "10" Well No. 1 (API No. 30-025-35104), which was drilled at an unorthodox oil well location 2630 feet from the South line and 713 feet from the West line (Unit L) of Section 10.

(3) The TMBR "10" Well No. 1 is located approximately one-half mile from the horizontal boundary of the East Saunders Permo-Pennsylvanian Pool and in accordance with Rule 1 of its special pool rules and Division Rule 104.A (1) (b) is therefore subject to the rules governing the East Saunders Permo-Pennsylvanian Pool.



(4) The East Saunders Permo-Pennsylvanian Pool rules provide for 160-acre spacing units being a governmental quarter section and for wells to be located within 150 feet of the center of a governmental quarter-quarter section or lot (see Rule 3).

(5) TMBR/Sharp originally filed this application with the Division on January 14, 2002 (**administrative application reference No. pKRV0-201555440**) seeking an unorthodox wildcat Wolfcamp oil well location within a 40-acre oil spacing and proration unit for its existing TMBR "10" Well No. 1, which was to be recompleted up hole from the Undesignated East Saunders Permo-Pennsylvanian Pool into the wildcat Wolfcamp formation. The Division's records indicate that TMBR/Sharp drilled this well in mid-2000 as an oil well in the Undesignated East Saunders Permo-Pennsylvanian Pool to be dedicated to a 160-acre oil spacing and proration comprising the S/2 NW/4 and N/2 SW/4 of Section 10. In July, 2000 the Division's District office in Hobbs approved TMBR/Sharp's *Application for Permit to Drill* ("APD") with a notation that it could not produce its well until such time as TMBR/Sharp obtained proper authorization from the Division in Santa Fe for the unorthodox well location ("NSL") and non-standard 160-acre oil spacing and proration unit ("NSP").

(6) TMBR/Sharp apparently was not aware at the time it filed its administrative application in January, 2002 that the Wolfcamp formation is included within the vertical limits of the East Saunders Permo-Pennsylvanian Pool.

(7) By letter dated January 30, 2002 the Division denied TMBR/Sharp's administrative application and caused this matter to be set for hearing.

(8) Testimony presented at the hearing indicates that TMBR/Sharp initially drilled this well to test the Bough "C" interval of the Cisco formation. Using 3-D seismic data TMBR/Sharp chose this location in order to intersect a geologic anomaly, thereby increasing the likelihood of a successful completion. The Bough "C" interval was found to be unproductive however.

(9) TMBR/Sharp's witness testified that in October, 2001 TMBR/Sharp found that a small sand stringer in the Wolfcamp formation was capable of producing approximately 10 barrels of oil per day. TMBR/Sharp now desires to commence producing this well from this Wolfcamp stringer.

(10) At the hearing TMBR/Sharp amended its application and requested dismissal of that portion of its application seeking to form the above-described non-standard 160-acre oil spacing and proration unit.

(11) Further evidence presented indicates that all of Section 10 is a single state lease issued by the New Mexico State Land Office (State Lease No. V-05336) with common mineral ownership (royalty, overriding royalty, and working interest) in which TMBR/Sharp is the leasehold operator; therefore, there are no adversely effected offsets to a standard 160-acre oil spacing and proration unit comprising the SW/4 of Section 10. Correlative rights will therefore be protected.

(12) Approval of the unorthodox oil well location for the TMBR/Sharp "10" Well No. 1 within a standard 160-acre oil spacing and proration unit comprising the SW/4 of Section 10 will afford TMBR/Sharp the opportunity to produce its just and equitable share of the oil in the Undesignated East Saunders Permo-Pennsylvanian Pool and will otherwise prevent waste and the economic loss caused by the drilling of unnecessary wells.

(13) It is to be noted that TMBR/Sharp, as a prudent operator, must recognize that a well location is unorthodox prior to its drilling and not wait a period of one-and-a-half years to seek the necessary regulatory exceptions.

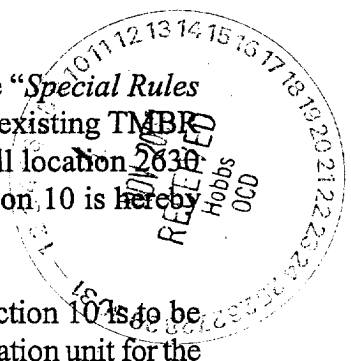
IT IS THEREFORE ORDERED THAT:

(1) The application of TMBR/Sharp Drilling, Inc. ("TMBR/Sharp") for an exception to Rule 2 of the "*Special Rules and Regulations for the East Saunders Permo-Pennsylvanian Pool*," as promulgated by Division Order No. R-2359, as amended, in order to establish a non-standard 160-acre oil spacing and proration unit comprising the S/2 NW and N/2 SW/4 of Section 10, Township 14 South, Range 34 East, NMPM, Lea County, New Mexico within the Undesignated East Saunders Permo-Pennsylvanian Pool (54960) is hereby **dismissed**.

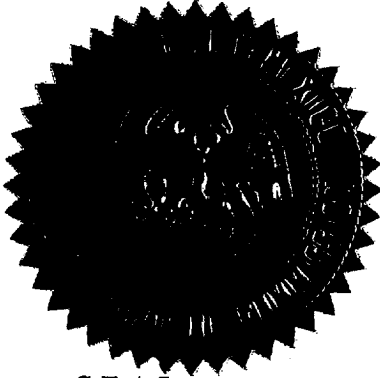
(2) TMBR/Sharp's application for an exception to Rule 3 of the "*Special Rules and Regulations for the East Saunders Permo-Pennsylvanian Pool*" for its existing TMBR "10" Well No. 1 (API No. 30-025-35104) located at an unorthodox oil well location 2630 feet from the South line and 713 feet from the West line (Unit L) of Section 10 is hereby approved.

(3) As requested by the applicant at the hearing, the SW/4 of Section 10 is to be dedicated to this well in order to form a standard 160-acre oil spacing and proration unit for the Undesignated East Saunders Permo-Pennsylvanian Pool.

(4) Jurisdiction 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director