

UMC Petroleum Corporation

February 12 , 1996

Mr. Jerry Sexton
State of New Mexico
Oil and Gas
Conservation Commission
District I Office
P.O. Box 1980
Hobbs, New Mexico 88241-1980

RE: Townsend State #1
Lot 16, Section 2-T16S-R35E
3526' FSL & 727' FEL
Lea County

NEED TO
call on this
GET 104'S
See what GOR
is when gas comes in
will be in

Dear Mr. Sexton;

Enclosed is a copy of our application for a non-standard oil spacing and proration unit for the subject well, that was filed with the Santa Fe office. UMC is requesting a test allowable for the well to transport fluids from the production facility. The well is currently flowing about 320 bbls per day, some of which is load water from stimulating the well. We do not want to shut the well in at this time because it is cleaning up from the stimulation treatment.

I have included Form C-104 and the appropriate copies with this letter as per Donna Pritzer's request. We are estimating about 9600 bbls of fluid from the well for transport to keep room in the temporary battery.

If you have any questions or need additional information, I can be reached at the letterhead address or at (303) 573-4721. Thank you for your time in this matter.

Sincerely,



Scott M. Webb
Regulatory Coordinator

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MAY 1997
Hobbs
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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF UMC PETROLEUM
CORPORATION FOR A NON-STANDARD
OIL SPACING AND PRORATION UNIT,
LEA COUNTY, NEW MEXICO.

FEB 11 1997

CASE NO. _____

Oil Conservation Division

APPLICATION

UMC Petroleum Corporation hereby applies for an order approving a non-standard oil spacing and proration unit, in the Strawn formation, comprised of Lots 16 and 17 of Section 2, Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in Lots 16 and 17 of said Section 2. Section 2 is an irregular governmental section containing 1001.16 acres.

2. Applicant is currently drilling its Townsend State Well No. 1 at an orthodox oil well location 3526 feet from the South line and 727 feet from the East line of Section 2 (Unit P), to a depth sufficient to test the Strawn formation (Undesignated West Lovington-Strawn Pool).

3. The special pool rules for the West Lovington-Strawn Pool require 80-acre spacing and proration units. Applicant dedicated an 80-acre unit to the Townsend State Well No. 1, comprised of Lots 16 and 17 of Section 2, and an APD for the unit and well was approved by the Division's Hobbs District Office on December 9, 1996.

4. In Division Case Nos. 11,716 and 11,717, Amerind Oil Company, Ltd. ("Amerind") applied to the Division for compulsory pooling of two proposed Strawn wells in Section 2. Each of

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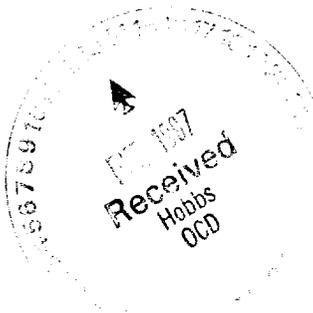
Amerind's wells had a proposed unit with the same configuration as the unit for applicant's Townsend State Well No. 1. Based upon a letter decision in Case No. 11717, dated February 5, 1997 (issued subsequent to the issuance of applicant's APD and subsequent to the commencement of UMC's well), it appears that the Division considers the unit dedicated by applicant to the Townsend State Well No. 1 to be non-standard.

5. Immediately after the two above-referenced pooling cases were dismissed by Amerind, applicant received a demand from the working interest owners in Lot 9 of Section 2 (including Amerind) to join in the Townsend State Well No. 1, and form a well unit comprised of Lots 9 and 16 of Section 2. Because applicant has taken the risk involved in drilling said well, based in part upon the approved APD, and because of the confusion among operators over standard well units in Section 2 (as evidenced by Amerind's applications in Case Nos. 11,716 and 11,717), applicant requests approval of an 80-acre non-standard oil spacing and proration unit in the Strawn formation, comprised of Lots 16 and 17 of Section 2.

6. Approval of a non-standard oil spacing and proration unit for the Townsend State Well No. 1 will prevent waste and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- (a) Approving a non-standard oil spacing and proration unit in the Undesignated West Lovington-Strawn Pool for the Townsend State Well No. 1, comprised of Lots 16 and



17 of Section 2, containing 80 acres; and

(b) Granting such further relief as the Division deems proper.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for UMC Petroleum Corporation

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