



April 15, 1991

BRUCE KING
GOVERNOR

BTA Oil Producers
104 South Pecos
Midland, TX 79701

Attention: Dorothy Houghton

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

*see order -
not approving
any adm. app. for BTA without sitting
for hearing.*

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Re: Unorthodox Gas Well Location Gem 8705
JV-P Well No. 4 510'FSL-1980'FWL (Unit
N) Section 2, Township 20 South, Range 33
East, NMPM, Lea County, New Mexico

Dear Ms. Houghton:

Pursuant to Finding Paragraph Nos. 17 and 18 of Division Order No. R-9147-B, the subject application filed with the Division on April 12, 1991 will be placed on the docket for the Examiners hearing scheduled for May 16, 1991.

Should BTA still feel that said unorthodox location is absolutely necessary and choose not to move the proposed well to a standard gas well location on the north side of the existing plugged and abandoned well thereby, making this application unnecessary, please provide further notice of the proposed hearing pursuant to Division General Rule 1207.(a) 2.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ck

cc: Oil Conservation Division - Hobbs
NM State Land Office - Santa Fe
U.S. Bureau of Land Management - Carlsbad
Grace Petroleum Corp. - Oklahoma City

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. 10177
ORDER NO. R-9147-B

APPLICATION OF BTA OIL PRODUCERS
FOR AN UNORTHODOX OIL WELL LOCATION,
EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 19, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 11th day of February, 1991 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) By Division Order No. R-9147, issued in Case No. 9883 and dated April 18, 1990 an exception to the standard oil well location requirements, as promulgated by Division General Rule 104.F.I., was granted for the applicant, BTA Oil Producers, to drill its Pardue "C" 8808 JV-P Well No. 1 to test the Undesignated East Loving-Delaware Pool, at an unorthodox oil well location 176 feet from the South line and 1550 feet from the West line (Unit N) of Section 11, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) Based on the evidence presented in Case No. 9883, the necessity for said unorthodox oil well location was due to numerous topographic and surface obstructions within the SE/4 SW/4 of said Section 11.

(4) Although the Division in Case No. 9883 authorized BTA to crowd the lease line offsetting Bird Creek Resources, a penalty on production of 12,225 barrels would be implemented by limiting the production ratio of said Well No. 1 to 53% of allowable until such time as the 12,225 barrels of oil has been accrued as underproduction.

(5) Subsequent to the issuance of Order No. R-9147, BTA drilled and completed its Well No. 1 in the East-Loving Delaware Pool.

(6) By Division Order R-9147-A, issued in DeNovo Case No. 9883 and dated August 3, 1990, the New Mexico Oil Conservation Commission superseded Order R-9147 and further placed a permanent production limitation factor of 53% of the top allowable for the Well No. 1. Also at the DeNovo hearing, the Commission overruled any attempt of Bird Creek Resources to include testimony of the placement of the well only 176 feet from its lease line based on the previous evidence by the applicant showing that no other locations further from the South line of said Section 11 was feasible.

(7) At this time, BTA Oil Producers, seeks approval of an unorthodox oil well location for its Pardue "C" 8808 JV-P Well No. 1-Y to be drilled 611 feet from the South line and 1504 feet from the West line (Unit N) of Section 11, Township 23 South, Range 28 East, NMPM, East Loving-Delaware Pool, Eddy County, New Mexico.

(8) It is the applicant's intent to drill the No. 1-Y well as a replacement well for the original Well No. 1 on the 40-acre spacing and proration unit comprising the SE/4 SW/4 of said Section 11.

(9) Further, it is the applicant's intent to cease producing Delaware oil from the Well No. 1, place the well on temporarily abandoned status and possibly utilize it as an injection well in the future.

(10) The testimony by the applicant at this time still shows that there are no drillable locations within the standard drilling windows for a 40-acre oil spacing unit (no closer than 330 feet to the outer boundary of a 40-acre tract) due to numerous topographic and surface features; however, the proposed location is suitable and accessible for the drilling of a well to the Delaware formation.

(11) The surface location for the replacement well, although still unorthodox, is 611 feet from Bird Creek Resources' lease and is crowding the offset acreage to the west which is also within the applicant's Pardue "C" 8808 JV-P Lease.

(12) Such intention of BTA to cease production of the Pardue "C" 8808 JV-P

Well No. 1 and replace it with a well that is not crowding neighboring acreage is prudent at this time, is of sound conservation practice and will otherwise prevent waste and protect correlative rights.

(13) The unorthodox oil well location for the proposed Pardue "C" 8808 JV-P Well No. 1-Y should be approved with no production limitation on its allowable.

(14) Production from the Pardue "C" 8808 JV-P Well No. 1 should cease immediately and any other authorization for this well to either produce from or inject into any formation and/or pool should be only after proper notice and hearing.

(15) No testimony was offered by the applicant which would show that the proposed location it seeks at this time was not available to them when original Case No. 9883 was heard.

(16) Had BTA originally drilled at this location, the need for two Division hearings and a DeNovo Commission hearing would probably have been unnecessary.

(17) Such conflicting evidence could also serve to weaken BTA's standing as a prudent operator in the state.

(18) Until further notice from the Director of the Division, any and all applications which are subject to administrative review by the Division shall only be considered after proper notice and hearing.

IT IS THEREFORE ORDERED THAT:

(1) The application of BTA Oil Producers for an unorthodox oil well location for the East Loving-Delaware Pool is hereby approved for its Pardue "C" 8808 JV-P Well No. 1-Y to be located at a point 611 feet from the South line and 1504 feet from the West line (Unit N) of Section 11, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.

(2) The SE/4 SW/4 of said Section 11 shall be dedicated to the above-described well forming a 40-acre oil spacing and proration unit for said pool.

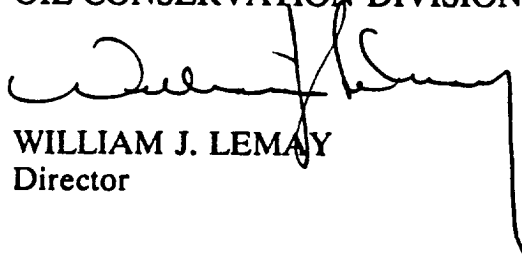
(3) The existing Pardue "C" 8808 JV-P Well No. 1 located at an unorthodox oil well location 176 feet from the South line and 1550 feet from the West line (Unit N) of said Section 11 shall cease producing hydrocarbons immediately.

(4) Further, authorization for this well to either produce hydrocarbons from or inject water into any formation and/or pool shall be only after proper notice and hearing.

(5) 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

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