

*Entered January 4, 1973
A.L.P.*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 4862
Order No. R-4456

APPLICATION OF ADOBE OIL COMPANY
FOR A NON-STANDARD GAS PRORATION
UNIT AND AN UNORTHODOX LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 29, 1972, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 4th day of January, 1973, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Adobe Oil Company, seeks authority to drill a well at an unorthodox gas well location 660 feet from the South line and 330 feet from the East line of Section 11, Township 23 South, Range 24 East, NMPM, Rock Tank-Upper Morrow and Rock Tank-Lower Morrow Gas pools, Eddy County, New Mexico.

(3) That a standard location for the subject well would be no closer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

(4) That a well completed at the proposed unorthodox location would enjoy an undue advantage over some offset operators if unrestricted production of the well is permitted.

(5) That the applicant further seeks approval of a 520-acre non-standard gas proration unit in the Rock Tank-Upper Morrow and Rock Tank-Lower Morrow Gas Pools comprising the NE/4, SE/4, E/2 SW/4, N/2 NW/4, and SE/4 NW/4 of said Section 11 to be dedicated to the subject well.

(6) That the evidence indicates the presence of a NE-SW trending fault in said Section 11, North and West of which the Morrow formation is non-productive from the Rock Tank Pools.

(7) That though the exact location of the fault cannot be accurately determined, no more than 430 acres of the applicant's lease in said Section 11 may reasonably be presumed to be productive of gas from said pools.

(8) That an additional 60 acres of unleased land in the W/2 SW/4 of said Section 11 may be presumed to be productive.

(9) That a standard unit in the aforesaid pools consist of 640 acres.

(10) That the application for said 520-acre non-standard gas proration unit should be denied and that a 430-acre non-standard gas proration unit consisting of the E/2, E/2 SW/4, S/2 SE/4 NW/4 and NE/4 SE/4 NW/4 of said Section 11 should be established, to be dedicated to the proposed well, with the option to add the SW/4 SW/4 and S/2 NW/4 SW/4 of said Section 11 to the non-standard unit upon its communitization with the 430-acre unit described above.

(11) That to compensate for the fact that only 430 acres of applicant's lease in said Section 11 can reasonably be presumed productive of gas from the Rock Tank-Upper Morrow and Rock Tank-Lower Morrow Gas Pools, an acreage factor of $430/640$, or 0.672, should be applied to the proposed well.

(12) That to compensate for the advantage gained over offset operators due to the non-standard location of the proposed well, a penalty of 30 percent should be applied to the proposed well.

(13) That the composite ratable-take factor for the proposed well should be 70 percent of 0.672, or 0.470.

(14) That upon drilling of the proposed well at a standard location upon the proposed non-standard proration unit, the penalty factor described in Finding No. (12) above should not be applicable, but the acreage factor described in Finding No. (11) above should be applicable.

(15) That upon communitization of the 430-acre non-standard proration unit described in Finding No. (10) above with the 60 acres described in Finding No. (8) above, the acreage factor assigned to the proposed well should be $490/640$, or 0.766.

(16) That approval of the proposed unorthodox location will not violate correlative rights and will afford the applicant the opportunity to produce its just and equitable share of the gas

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in the above-described pools, will prevent the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and otherwise prevent waste, provided that the appropriate above-described ratable-take factor is assigned to the subject well.

IT IS THEREFORE ORDERED:

(1) That an unorthodox location in the Rock Tank-Upper Morrow and Rock Tank-Lower Morrow Gas Pools is hereby approved for the Adobe Oil Company well to be located 660 feet from the South line and 330 feet from the East line of Section 11, Township 23 South, Range 24 East, NMPM, Eddy County, New Mexico.

(2) That the application for a 520-acre non-standard gas proration unit in the Rock Tank-Upper Morrow and Rock Tank-Lower Morrow Gas Pools comprising the NE/4, SE/4, E/2 SW/4, N/2 NW/4, and SE/4 NW/4 of said Section 11, to be dedicated to said well is hereby denied.

(3) That a 430-acre non-standard gas proration unit in said Rock Tank gas pools comprising the E/2, E/2 SW/4, S/2 SE/4 NW/4 and NE/4 SE/4 NW/4 of said Section 11 is hereby established and dedicated to the subject well.

(4) That the SW/4 SW/4 and S/2 NW/4 SW/4 of said Section 11 may be added to the 430-acre non-standard unit upon communitization, and the entire 490-acre non-standard gas proration unit be dedicated to the subject well.

(5) That a ratable-take factor of 0.470 in each of said pools is hereby assigned to said well so long as the aforesaid 430-acre non-standard unit is dedicated to the well; that said ratable-take factor shall be adjusted to 0.536 upon dedication of the aforesaid 490-acre non-standard gas proration unit to the subject well.

IT IS FURTHER ORDERED:

(1) That should applicant drill its proposed well at a standard location for the Rock Tank-Upper Morrow and Rock Tank-Lower Morrow Gas Pools, at a point not closer than 1650 feet to the outer boundary of the proration unit, the ratable-take factor for the aforesaid 430-non-standard unit shall be 0.672 and the ratable-take factor for the aforesaid 490-acre non-standard unit shall be 0.766.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

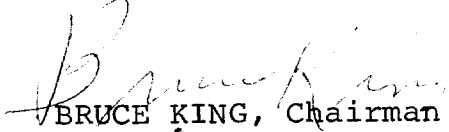
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DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMIJO, Member


A. L. PORTER, Jr., Member & Secretary

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