

**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. 10678
Order No. R-4988-A**

**APPLICATION OF CONOCO INC. FOR
AN UNORTHODOX GAS WELL LOCATION
AND TO AMEND DIVISION ORDER NO.
R-4988, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 4, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of March, 1993, 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, Conoco Inc., seeks authority to drill its proposed Lockhart "B" Well No. 11 at an unorthodox gas well location 760 feet from the North line and 660 feet from the East line (Unit A) of Section 14, Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico.

(3) The applicant further seeks the amendment of Division Order No. R-4988, which order authorized the simultaneous dedication of an existing 480-acre non-standard gas proration unit in the Eumont Gas Pool comprising the W/2 of Section 13 and the E/2 of Section 14, Township 21 South, Range 36 East, NMPM, to the Conoco Inc. Lockhart "B" Well Nos. 7, 4 and 8 located, respectively, in Unit D of Section 13 and Units H and P of Section 14, to allow the simultaneous dedication of the subject proration unit to the proposed Lockhart "B" Well No. 11 and the existing Lockhart "B" Well No. 9 located in Unit L of Section 13.

(4) According to testimony and Division records, the applicant's Lockhart "B" Well Nos. 7, 4 and 8, previously Eumont Gas Pool producing wells, were turned over to Chevron USA Inc. during January, 1987 for use in the Eunice Monument South Unit Waterflood Project.

(5) The only well currently developing the Eumont Gas Pool within the subject non-standard gas proration unit is the applicant's Lockhart "B" Well No. 9 as described above.

(6) Pursuant to the Special Rules and Regulations for the Eumont Gas Pool as promulgated by Division Order No. R-8170, as amended, the standard setback for a 480-acre non-standard gas proration unit is 990 feet from the outer boundary of the proration unit.

(7) The vertical limits of the Eumont Gas Pool currently comprise the Yates, Seven Rivers and Queen formations.

(8) According to applicant's evidence and testimony, development in the Eumont Gas Pool within the subject non-standard gas proration unit has thus far been essentially limited to the Penrose member of the Queen formation.

(9) The applicant has recently discovered potential for significant gas production from the upper portion of the Seven Rivers formation within the northwestern portion of the subject non-standard gas proration unit.

(10) According to applicant's geologic evidence and testimony, a well at the proposed location should encounter a greater amount of net pay in the upper portion of the Seven Rivers formation than a well drilled at a standard location thereon, which should ultimately result in the recovery of a greater amount of gas from the subject proration unit, thereby preventing waste.

(11) Engineering estimates provided by the applicant at the hearing indicate that a well located at the proposed unorthodox location should recover approximately 25% more gas reserves from the subject proration unit than a well drilled at a standard well location thereon.

(12) The affected offset operators, Lewis Burleson Inc., John Hendrix Corporation and Chevron USA Inc., did not appear at the hearing in opposition to the application.

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

(14) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas 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.

(15) The subject non-standard gas proration unit should be assigned an acreage factor of 3.0 in the Eumont Gas Pool for the purpose of assigning a gas allowable. In addition, the applicant should be allowed to produce the gas allowable assigned to the subject unit from either the Lockhart "B" Well No. 9 or Well No. 11 in any proportion.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Conoco Inc., is hereby authorized to drill its Lockhart "B" Well No. 11 at an unorthodox gas well location 760 feet from the North line and 660 feet from the East line (Unit A) of Section 14, Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico.

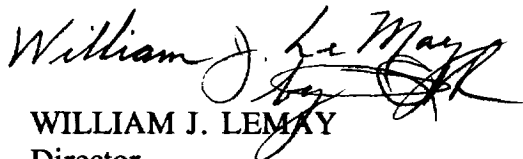
(2) Division Order No. R-4988 is hereby amended to allow the simultaneous dedication of an existing 480-acre non-standard gas proration unit in the Eumont Gas Pool comprising the W/2 of Section 13 and the E/2 E/2 of Section 14, Township 21 South, Range 36 East, NMPM, to the above-described Lockhart "B" Well No. 11 and to the existing Conoco Inc. Lockhart "B" Well No. 9 located in Unit L of Section 13.

(3) The subject non-standard gas proration unit shall be assigned an acreage factor of 3.0 in the Eumont Gas Pool for the purpose of assigning a gas allowable. In addition, the applicant shall be allowed to produce the gas allowable assigned to the subject unit from either the Lockhart "B" Well No. 9 or Well No. 11 in any proportion.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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Case No. 5449
Order No. R-4998

PROVIDED HOWEVER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Belco Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That within 30 days after the effective date of this order, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 150 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$1650.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$242.00 per month is hereby fixed as a reasonable charge for supervision while producing; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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Case No. 5449
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(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman


PHIL R. LUCERO, Member


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

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