

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. 9952
Order No. R-9198

APPLICATION OF OXY USA INC.
FOR AN UNORTHODOX GAS WELL
LOCATION AND A NON-STANDARD
GAS PRORATION UNIT, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 30, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 11th day of June, 1990, 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, Oxy USA Inc., seeks approval for a 327.27-acre non-standard gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing from the top of the Wolfcamp formation to the base of the Morrow formation, which presently includes the Undesignated Bandana Point-Strawn Gas Pool and Undesignated East Hess-Morrow Gas Pool, comprising Lots 1 and 2, the NE/4, and the S/2 SE/4 (E/2 equivalent) of Section 34, Township 23 South, Range 23 East, NMPM, Eddy County, New Mexico. Said unit is to be dedicated to the applicant's proposed

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Federal "AK" Well No. 1 to be drilled at an unorthodox gas well location 660 feet from the North line and 1450 feet from the East line (Unit B) of said Section 34.

(3) The proposed non-standard gas proration unit is necessitated by a variation in the legal subdivision of the United States Public Land Survey.

(4) In support of the proposed unorthodox gas well location, the applicant presented geologic evidence and testimony which indicates that the NE/4 of said Section 34 is the geologically preferred quarter section in which to drill the subject well.

(5) Further evidence indicates that the proposed unorthodox gas well location is necessitated by numerous topographical obstructions as well as geologic considerations within the NE/4 of said Section 34.

(6) A well at the proposed location will better enable the applicant to produce the gas underlying the proration unit.

(7) The applicant also presented as evidence in this case waivers of objection to the proposed unorthodox location from Yates Petroleum Corporation and Yates Energy Corporation, being the only two affected offset operators.

(8) No other offset operator and/or interest owner appeared at the hearing in opposition to the proposed non-standard gas proration unit or unorthodox gas well location.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Pennsylvanian formation, 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.

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IT IS THEREFORE ORDERED THAT:

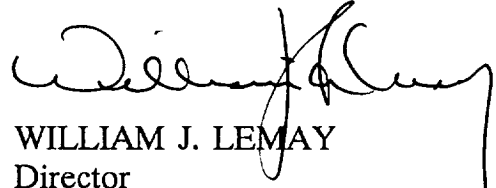
(1) A 327.27-acre non-standard gas spacing and proration unit comprising Lots 1 and 2, the NE/4, and the S/2 SE/4 (E/2 equivalent) of Section 34, Township 23 South, Range 23 East, NMPM, Eddy County, New Mexico is hereby established for any and all formations and/or pools developed on 320-acre spacing from the top of the Wolfcamp formation to the base of the Morrow formation, which presently includes the Undesignated Bandana Point-Strawn Gas Pool and Undesignated East Hess-Morrow Gas Pool.

(2) Said unit shall be dedicated to Oxy USA Inc.'s Federal "AK" Well No. 1 to be drilled at an unorthodox gas well location 660 feet from the North line and 1450 feet from the East line (Unit B) of said Section 34.

(3) 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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