

**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. 13175
ORDER NO. R-12124**

**APPLICATION OF PERMIAN RESOURCES, INC. FOR A NON-STANDARD OIL
SPACING AND PRORATION UNIT AND AN UNORTHODOX WELL
LOCATION, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 18, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 30th day of March, 2004, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this cause and the subject matter.

(2) Applicant seeks authority in this Case to drill its Berry Hobbs Unit 17 Well No. 1 as a wildcat gas well to test the Morrow formation at an unorthodox location 2,490 feet from the South Line and 1,850 feet from the East line (Unit J), Section 17, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) The Morrow formation gas well acreage and well location requirements are specified in Division Rule 104C.(2), providing for 320-acre spacing units with wells located no closer than 660 feet from a quarter section line. Applicant intends to dedicate the E/2 of Section 17 to this proposed well as a standard deep gas spacing unit in the Morrow formation. This well location will be unorthodox since it is to be located only 150 feet south of the middle quarter section line within the E/2 spacing unit.

(4) Applicant also seeks authority in this Case to complete and produce this proposed well up-hole as an oil producer in the Strawn formation at an unorthodox location within an unorthodox 80-acre spacing and proration unit consisting of the SW/4 NE/4 and NW/4 SE/4 of Section 17.

(5) The Strawn formation oil well production at this location is governed by Special Pool Rules and Regulations for the Northeast Shoe Bar-Strawn (96649) Pool promulgated in Case 11750, Division Order R-10848, and made permanent under Division Order R-10848-A, which provide for 80-acre spacing and proration units comprised of the N/2, S/2, E/2, or W/2 of a governmental quarter section with wells located no closer than 330 feet from any quarter-quarter section line and only one well per spacing unit. This spacing and proration unit would be 80-acres in size and consist of contiguous quarter-quarters, but the unit would be unorthodox because of its orientation within this E/2 of Section 17. The well location would also be unorthodox since it is to be located only 150 feet from a governmental quarter-quarter section line.

(6) No interested party or offsetting mineral interest owner appeared at the hearing or filed an objection to the subject application.

(7) The applicant testified that it is a working interest owner of both the Strawn and the Morrow and has an agreement with the other working interest owner within this E/2 of Section 17 allowing the applicant to operate.

(8) The applicant testified that there are approximately 50 mineral interest owners within the E/2 of Section 17, but all mineral interests are undivided over the entire E/2. Nonetheless, notification of this pending action was sent to all interest owners within the E/2 of Section 17.

(9) The geological evidence presented at the hearing, including 3-D seismic survey, indicates the Morrow sands meander through this area and the Strawn reservoir is contained within a localized algal mound that covers the immediate area.

(10) A penetration of the Morrow and Strawn formations at the proposed unorthodox location within this Unit J of Section 17 would enable the applicant to test both the Morrow gas and the Strawn oil at favorable locations and should increase the likelihood of encountering hydrocarbon production in commercial quantity over a well drilled at the closest standard locations.

(11) Finding No. 8 within Division Order R-10848 indicated the permeability of the Strawn algal mound in this Northeast Shoe Bar-Strawn Pool is very high and only one well is needed to drain 80 acres. The proposed position of the Strawn oil completion close to the center of this 80-acre spacing and proration unit is conducive to efficiently drain the entire unit.

(12) Approval of the location of this well in both the Morrow and Strawn formations and approval of the Strawn spacing and proration unit, will afford the applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the two Units; will serve to prevent the economic loss caused by the drilling of unnecessary wells; is in the best interest of conservation; and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Applicant's application to drill its Berry Hobbs Unit 17 Well No. 1 as a wildcat deep gas well to test the Morrow formation at an unorthodox location 2,490 feet from the South Line and 1,850 feet from the East line (Unit J), of Section 17, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby approved. A standard 320-acre E/2 deep gas spacing unit is to be dedicated to the Morrow gas production from this well.

(2) Applicant's application to form an unorthodox 80-acre spacing and proration unit for Northeast Shoe Bar-Strawn (96649) Pool production consisting of the SW/4 NE/4 and NW/4 SE/4 of this same Section 17 is approved.

(3) Applicant's application to complete and produce this Berry Hobbs Unit 17 Well No. 1 as an oil producer in the Northeast Shoe Bar-Strawn (96649) Pool at an unorthodox location 2,490 feet from the South Line and 1,850 feet from the East line (Unit J), of this Section 17, and within this unorthodox 80-acre spacing and proration unit, is approved.

(4) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Carol Leach".

CAROL LEACH
Acting Director