

**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. 15681
ORDER NO. R-14361**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR A NON-STANDARD
PROJECT AREA AND AN UNORTHODOX GAS WELL LOCATION, EDDY
COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 27, 2017, at Santa Fe, New Mexico, before Examiner William V. Jones and again on May 11, 2017, before Examiner Michael A. McMillan.

NOW, on this 1st day of June, 2017, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT:

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

(2) Mewbourne Oil Company ("Mewbourne or Applicant") seeks an order approving a 1280-acre non-standard project area comprising all of Sections 17 and 20, both in Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, for purposes of drilling a horizontal well.

(3) Mewbourne intends to dedicate this project area to its proposed Rio Bravo 17 20 W2AP Federal Com Well No. 1H (API No. 30-015-44110) which will be drilled horizontally within the Wolfcamp formation and completed in the Avalon; Wolfcamp Gas Pool (71120).

(4) The Avalon; Wolfcamp Gas Pool was created and designated by the Division by Order No. R-4937, effective February 1, 1975. The Division in Order No. R-5989 issued April 25, 1979 in Case No. 6517, included this pool in the provisions of Order

No. R-5113, which Order established 320-acre deep gas spacing units in Southeast New Mexico with 660-foot setbacks.

(5) The proposed well will be drilled from a surface location 195 feet from the North line and 1225 feet from the East line, (Unit A) of Section 17, to a bottom hole location 330 feet from the South line and 660 feet from the East line, (Unit P) of Section 20. The first take point will be 330 feet from the North line and 660 feet from the East line, (Unit A) of Section 17. The last take point will be 330 feet from the South line and 660 feet from the East line, (Unit P) of Section 20. Both the first and last take points will be unorthodox for gas production from wells completed in the Wolfcamp formation in this Pool. In addition to the proposed project area, Applicant seeks permission for the proposed non-standard location.

(6) Applicant appeared at the hearing through counsel and presented the following testimony:

- (a) Applicant proposed the 1280-acre project area administratively to the Division and was directed to bring a case for hearing.
- (b) The lands within the project area are a mixture of federal, fee, and State. The Bureau of Land Management ("BLM") has been contacted and has been provided notice of the proposed dedicated acreage for this well. All owners of oil and gas working interests within the 1280-acre project area have signed a joint operating agreement ("JOA") [Exhibit No. 2].
- (c) There are surface location difficulties due to variations in topography; however, these can be overcome by utilizing pad drilling sites. Applicant sees the need to create this project area to simplify surface facilities for future wells.
- (d) The gross thickness of the Wolfcamp formation extends over the entirety of Sections 17 and 20.
- (e) This area has not been extensively drilled within the Wolfcamp formation and the proposed well is still considered risky. However; if the well produces as hoped, then these two sections would be developed with a total of at least six (6) horizontal wells to a length of two miles, all from drilling pads.
- (f) Notice of the proposed project area was provided to surrounding lessees and operators within all surrounding 320-acre half sections.
- (g) Notice of the proposed non-standard location was provided to affected parties.

- (h) The proposed project area consists of four (4) contiguous standard sized, lay-down or stand-up, 320-acre gas spacing units, configured substantially in the form of a rectangle.
- (7) No other party appeared at the hearings or otherwise opposed this application.
- (8) The initially proposed orientation of the four (4) gas spacing units was to be stand-up. At the May 11 hearing, Applicant presented Exhibit No. 13 containing form C-102, specifying instead, four (4) lay-down spacing units.
- (9) The Division has no rules restricting the spacing unit orientation within project areas of horizontally drilled gas wells; however, the optimum orientation in this instance for 320-acre spacing units is "stand-up" or in a north to south direction. This optimum orientation for the well's project area would result in the least possible number of gas spacing units. It also would best approximate the drainage of lands by the proposed horizontal well. Two gas spacing units oriented in the same direction as the proposed well would result in a project area of 640 acres.
- (10) For a horizontal well drilled at a standard location, the rectangular project area should not be larger in the smallest dimension than the smallest dimension of a standard spacing unit in any pool. This practice of orienting rectangular spacing units would best follow the intent of pool rules promulgated to address well drainage.
- (11) Creating a project area consisting of four (4) lay-down gas spacing units for purposes of drilling this well would result in a 1280-acre project area with only one well located in the east half of the project area. Drainage testimony was not presented, but it is reasonable to assume, in the absence of evidence to the contrary, that this one well, located as proposed on the eastern edge of the proposed project area, could not drain portions of the west half of a 1280-acre project area.
- (12) Mewbourne asks for the 1280-acre project area to drill possibly six (6) wells all under common ownership using pads and minimal facilities. Applicant testified this area is considered "wildcat" or risky for horizontal well drilling in the Wolfcamp target interval. Therefore, the same risk holds now for the likelihood of drilling subsequent wells in these two sections. The infill wells may be delayed or never drilled.
- (13) Another reason cited for needing this 1280-acre project area was for purposes of optimizing siting, and design of surface facilities. The Division and the BLM both have procedures to obtain surface commingle permits. The Division has recently recognized an "other Division approved method" to allow oil and gas measurement using well testing while surface commingling of diversely owned horizontal oil wells – see Order No. R-14299 issued in Case No. 15540.

(14) The application for approval of a 1280-acre non-standard project area should be denied. The application for non-standard well location should be approved to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Mewbourne Oil Company to form a 1280-acre project area comprised of all of Sections 17 and 20, both in Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, for purposes of drilling a horizontal well, is hereby denied.

(2) The standard project area shall consist of two 320-acre stand-up gas spacing units (oriented north to south) in the Wolfcamp formation, Avalon; Wolfcamp Gas Pool (71120), comprising the E/2 of Sections 17 and 20, both in Township 21 South, Range 25 East, NMPM.

(3) The project area shall be dedicated to the proposed Rio Bravo 17 20 W2AP Federal Com Well No. 1H (API No. 30-015-44110) which shall be drilled in a north to south direction within the Wolfcamp formation and completed to develop both gas spacing units in the same well.

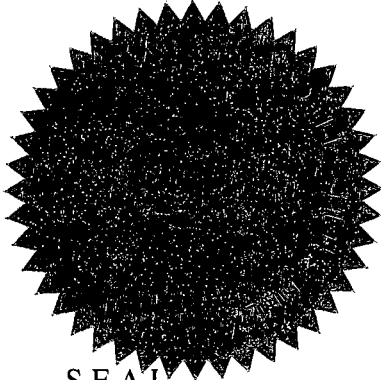
(4) This well shall be drilled, as it has been proposed, from a surface location 195 feet from the North line and 1225 feet from the East line, (Unit A) of Section 17, to a bottom hole location 330 feet from the South line and 660 feet from the East line, (Unit P) of Section 20. The first take point shall be no closer than 330 feet from the North line and 660 feet from the East line, (Unit A) of Section 17. The last take point shall be no closer than 330 feet from the South line and 660 feet from the East line, (Unit P) of Section 20.

(5) The non-standard well location as proposed herein for gas production from the Wolfcamp formation, Avalon; Wolfcamp Gas Pool, is hereby approved.

(6) The order issued herein approves a project area for horizontal drilling; but does not approve a non-standard gas well spacing unit over these lands or compulsory pool the interests within any such spacing unit.

(7) Jurisdiction of this case 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

David R. Catanach

DAVID R. CATANACH
Director