

**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. 13189
ORDER NO. R-12078**

**APPLICATION OF AMTEX ENERGY, INC.
FOR AN EXCEPTION TO DIVISION RULE
104.C (2) (b), LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 4, 2003, at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this 5th day of January, 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 case and its subject matter.

(2) The applicant, Amtex Energy, Inc. ("Amtex" or "Applicant"), seeks an exception to Division Rule 104.C (2) (b), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, in order to locate and complete two Morrow gas producing wells within the same quarter section of a standard 320-acre lay-down deep gas spacing unit comprising the S/2 of Section 16, Township 19 South, Range 34 East, NMPM, Quail Ridge-Morrow Gas Pool (83280), Lea County, New Mexico.

(3) This unit is currently dedicated to Amtex's existing Lea "ED" State (NCT-A) Well No. 2 (API No. 30-025-25896), located in the SW/4 of Section 16 at a standard deep gas well location 1980 feet from the South and West lines (Unit K) of Section 16.

(4) Further, this unit is within the Quail Ridge-Morrow Gas Pool and is currently governed by Division Rule 104.C (2), which states:

“(2) 320-Acre Spacing applies to any deep gas well in Lea, Chaves, Eddy or Roosevelt County, defined as a well that is projected to be drilled to a gas producing formation or is within a defined gas pool in the Wolfcamp or an older formation. Such well shall be located on a spacing unit consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U.S. Public Land Surveys provided that:

- (a) the initial well on a 320-acre unit is located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;*
- (b) only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and*
- (c) the Division-designated operator for the infill well is the same operator currently designated by the Division for the initial well.”*

(5) Applicant proposes to re-enter the plugged and abandoned Gulf Oil Corporation Lea “ED” State (NCT-A) Well No. 3 (API No. 30-025-26098), located at a standard deep gas well location 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 16, deepen the wellbore from its original depth of 10,200 feet to an approximate depth of 13,525 feet, perforate and complete this well within the middle and lower Morrow sand intervals, which are otherwise inaccessible in Amtex’s above-described Lea “ED” State (NCT-A) Well No. 2.

(6) The Applicant presented geological evidence, which indicates the gas bearing middle and lower Morrow sand intervals to be pinched out and not present in the SE/4 of Section 16.

(7) Applicant further presented evidence showing that its existing Lea "ED" State (NCT-A) Well No. 2 has been producing from the upper Morrow clastics since 1978 through perforations from 13,236 feet to 13,266 feet. This well was perforated in the middle Morrow sands from 13,324 feet to 13,330 feet; however, due to junk left in the hole at the time this well was initially completed this lowermost perforated interval is incapable of contributing to production.

(8) Applicant provided notice pursuant to the applicable provisions of Division Rule 1207.A.

(9) This case was styled: *"In the absence of objection, this matter will be taken under advisement."*

(10) No other affected party appeared at the hearing in opposition to this application.

(11) Approval of this application will afford Amtex the opportunity to produce its just and equitable share of gas from the subject pool within this unit, will prevent economic loss caused by the drilling of unnecessary wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Amtex Energy, Inc. ("Amtex" or "Applicant"), is hereby granted an exception to Division Rule 104.C (2) (b), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, for the following two wells to be completed within and produced from the S/2 of Section 16, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico, being a standard 320-acre lay-down deep gas spacing unit in the Quail Ridge-Morrow Gas Pool (83280):

(a) the plugged and abandoned Gulf Oil Corporation Lea "ED" State (NCT-A) Well No. 3 (API No. 30-025-26098), located at a standard deep gas well location 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 16; and

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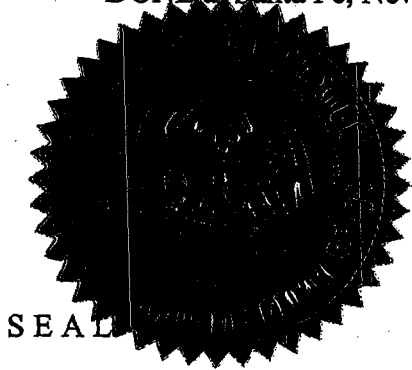
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(b) its existing Lea "ED" State (NCT-A) Well No. 2 (API No. 30-025-25896), located at a standard deep gas well location 1980 feet from the South and West lines (Unit K) of Section 16.

(2) Jurisdiction of this case 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

Lori Wrotenbery
LORI WROTENBERY
Director