

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. 11105
Order No. R-10233**

**APPLICATION OF UNION OIL COMPANY OF
CALIFORNIA D/B/A UNOCAL, FOR AN
INFILL GAS WELL AND SIMULTANEOUS
DEDICATION, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 29, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 17th day of October, 1994, 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, Union Oil Company of California d/b/a Unocal, seeks an exception to the Special Rules and Regulations for the Red Hills-Wolfcamp Gas Pool as promulgated by Division Order No. R-3073, by continuously and concurrently producing gas from both its Red Hills Unit Well No. 2, located at a previously approved unorthodox gas well location 990 feet from the North line and 1650 feet from the East line (Unit B) of Section 5, and its Red Hills Unit Well No. 3 located at a standard gas well location 1980 feet from the South line and 2180 feet from the West line (Unit K) of Section 5, both in Township 26 South, Range 33 East, NMPM, and for the simultaneous dedication of said wells to a standard 640-acre gas spacing and proration unit comprising all of Section 5.

(3) The Special Rules and Regulations for the Red Hills-Wolfcamp Gas Pool require standard 640-acre gas spacing and proration units with wells to be located no closer than 1650 feet from the outer boundary of the section nor closer than 330 feet from any governmental quarter-quarter section line. The special rules do not provide for the drilling of an infill well.

(4) According to Division records, the Red Hills Unit Well No. 2 was drilled in 1966 and was completed in the Red Hills-Pennsylvanian Gas Pool. The Pennsylvanian formation was abandoned in early 1967, and the well was subsequently completed in the Red Hills-Wolfcamp Gas Pool through perforations from 13,424 feet to 13,642 feet.

(5) The Red Hills Unit Well No. 2 has cumulatively produced (through 1993) some 17.3 BCF of gas from the Lower-Wolfcamp interval.

(6) The Red Hills Unit Well No. 3 was drilled in 1983 and completed in the Red Hills-Devonian Gas Pool. The well produced from the Devonian until it was recompleted to the Atoka formation in 1991. The well is currently completed in the Red Hills-Pennsylvanian Gas Pool (Atoka) and is currently producing at an uneconomic rate of approximately 20 MCFGD.

(7) According to applicant's geologic evidence, there is potential for gas production from the Upper Wolfcamp interval in the Red Hills Unit Well No. 3 from a depth of approximately 13,010 feet to 13,300 feet.

(8) The applicant seeks authority to recomplete the Red Hills Unit Well No. 3 from the Atoka formation to the Upper Wolfcamp interval.

(9) The geologic and engineering evidence indicates that the potentially productive Upper Wolfcamp interval in the Red Hills Unit Well No. 3 and the producing Lower Wolfcamp interval in the Red Hills Unit Well No. 2 appear to be isolated and not in communication with each other.

(10) There is potential for gas production from the Upper Wolfcamp interval in the Red Hills Unit Well No. 2, however, according to applicant's testimony, it is reluctant to attempt an Upper Wolfcamp completion due to the possibility of endangering Lower Wolfcamp gas reserves.

(11) Applicant estimates that the remaining producing life of the Red Hills Unit Well No. 2 in the Lower Wolfcamp interval is approximately ten years. Applicant further estimates that the remaining gas reserves within the Red Hills Unit Well No. 2 in the Lower Wolfcamp interval are 3.0 BCFG.

(12) Testimony indicates that there is an offset well, the BTA Oil Producers Mesa "B" 8105 JV-P Well No. 1, located in Unit F of Section 7, which is currently perforated in and producing from the Upper Wolfcamp interval.

(13) There is a possibility that the above-described Mesa "B" 8105 JV-P Well No. 1 may be draining a portion of Section 5 within the Upper Wolfcamp interval.

(14) Applicant testified that if its application is approved, the Red Hills Unit Well No. 2 will only be produced from the Lower Wolfcamp interval, and the Red Hills Unit Well No. 3 will only be produced from the Upper Wolfcamp interval.

(15) Kaiser-Francis Oil Company, the offset operator to the west in Section 6 appeared through counsel at the hearing and stated that it had reached an agreement with Unocal and was therefore not opposing the subject application.

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

(17) Approval of the application will allow the applicant the opportunity to produce its just and equitable share of the gas in the Upper and Lower Wolfcamp intervals within the Red Hills-Wolfcamp Gas Pool and will allow the recovery of gas from the Upper Wolfcamp interval which may otherwise not be recovered, thereby preventing waste.

(18) In addition, approval of the subject application will not violate correlative rights provided that the applicant not be allowed to produce both the Upper Wolfcamp or Lower Wolfcamp intervals in either the Red Hills Unit Well Nos. 2 or 3.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Union Oil Company of California d/b/a Unocal, is hereby authorized to simultaneously dedicate an existing 640-acre standard gas spacing and proration unit in the Red Hills-Wolfcamp Gas Pool comprising all of Section 5, Township 26 South, Range 33 East, NMPM, Lea County, New Mexico, to both its Red Hills Unit Well No. 2, located at a previously approved unorthodox gas well location 990 feet from the North line and 1650 feet from the East line (Unit B) of Section 5, and its Red Hills Unit Well No. 3 located at a standard gas well location 1980 feet from the South line and 2180 feet from the West line (Unit K) of Section 5.

(2) The applicant is further authorized to produce its Red Hills Unit Well Nos., 2 and 3 concurrently and continuously.

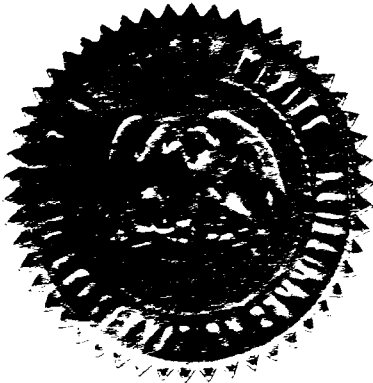
(3) The applicant shall complete the Red Hills Unit Well No. 3 only in the Upper Wolfcamp interval from a depth of approximately 13,010 feet to 13,300 feet.

(4) The applicant shall produce only the Lower Wolfcamp interval in its Red Hills Unit Well No. 2.

(5) Authorization to produce both the Lower and Upper Wolfcamp intervals within either the Red Hills Unit Well Nos. 2 or 3 shall only be after notice and hearing.

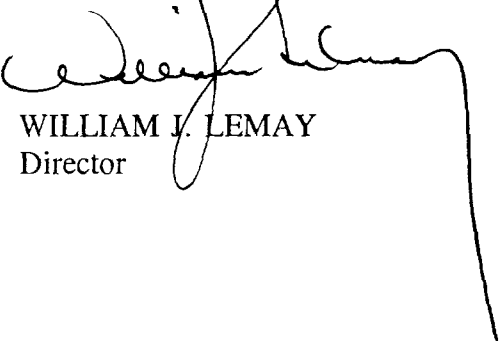
(6) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director