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JASON KELLAHIN (RETIRED 1991)

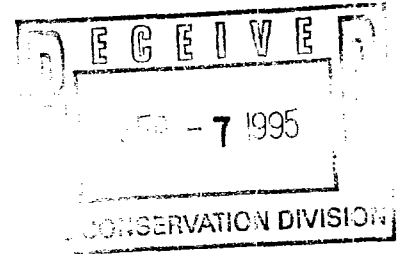
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September 7, 1995

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: NMOCD Case 11376
Application of Kerr-McGee Corporation
for an Unorthodox Well Location and
Simultaneous Dedication
Eddy County, New Mexico



Dear Mr. Stogner:

On behalf of Kerr-McGee Corporation, please find enclosed our proposed order for your consideration in this matter which was presented to you at the hearing held today.

I have enclosed a copy of this draft order on the enclosed 5.25 diskette which is formatted to wordperfect 5.1

Very truly yours,

A handwritten signature in dark ink, appearing to read "W. Thomas Kellahin". The signature is written over the typed name "W. Thomas Kellahin".

W. Thomas Kellahin

cc: Kerr-McGee Corporation
Attn: Dave Henke

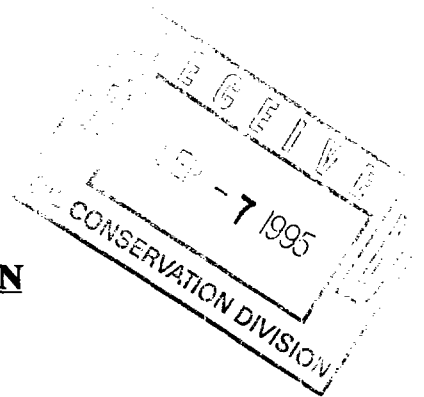
**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 11376
Order No. R-**

**APPLICATION OF KERR-MCGEE CORPORATION
FOR AN UNORTHODOX GAS WELL LOCATION
AND FOR SIMULTANEOUS DEDICATION,
EDDY COUNTY, NEW MEXICO**

**KERR-MCGEE CORPORATION'S
PROPOSED ORDER OF THE DIVISION**



BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 7, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of September, 1995, 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, Kerr-McGee Corporation ("Kerr-McGee"), seeks approval to drill its Winston-Federal Gas Com Well No. 2 at an unorthodox infill gas well location 697 feet from the North line and 2146 feet from the East line (Unit B) Section 31, Township 21 South, Range 24 East, NMPM, Indian Basin-Morrow Gas Pool, Eddy County, New Mexico. Applicant further proposes to simultaneously dedicate all of said Section 31 to the above described well and to its currently producing Winston-Federal Gas Com Well No. 1, located 1980 feet FWL and 2080 feet FSL (Unit K) to form a standard 640-acre gas spacing and proration unit.

~~(3) Kerr-McGee has the right to drill and test for Morrow gas production in Section 31, T21S, R24E, NMPM, Eddy County, New Mexico.~~

(4) The proposed gas well will be located within the current boundaries of the Indian Basin-Morrow Gas Pool which was created by Order R-2441 dated February 28, 1963 and was initially spaced on 640 acre spacing (Rule 2), with standard well locations to be no closer than 1650 feet to the outer boundary of the spacing unit (Rule 4). On May 6, 1965, the Division entered Order R-1670-F in Case 3237 which established gas proration for the pool.

(5) Kerr-McGee presented land, geologic and reservoir engineer data which demonstrates that:

(a) its existing well in Section 31, the Winston-Federal Gas Com Well No. 1 located 1980 feet from the West line and 2080 feet from the South line (Unit K) has water loading problems adversely affecting production; mechanical problems which cannot be economically remedied; and is a low volume producer with approximately 14 months of remaining producing life;

(b) the proposed Winston-Federal Gas Com Well No. 2 ultimately will be a "replacement" well and will be drilled at an unorthodox location based upon a combination of geologic, engineering and BLM surface use limitations in order to gain sufficient structural position in its spacing unit and to be located away from "dry holes" in the Morrow in

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REGISTRATION DIVISION

an attempt to recover any remaining recoverable gas reserves underlying Section 31 and thereby protect correlative rights and prevent waste;

(c) the Morrow formation within this immediate area contains number small sand stringers which are very discontinuous and of limited lateral extent;

(d) north of the subject Section 31, there are two Morrow gas wells located in Section 30 which exhibit pressure differences demonstrating that each is producing from certain Morrow sand stringers which are not present in both wells; and

(e) that the proposed unorthodox well location only encroaches towards Section 30 which includes the same working, royalty and overriding royalty interest owners as exist for said Section 31.

6. Kerr-McGee proposes that it be authorized to:

(a) to drill its Winston-Federal Gas Com Well No. 2 at an unorthodox gas well location 697 feet from the north line and 2146 feet from the east line of Section 31;

(b) until such time as the Winston-Federal Gas Com Well No. 1 has been abandoned, Kerr-McGee seeks approval to drill, operate and produce the gas allowable assigned to this spacing unit from either or both of these two wells in any combination. Once the Winston-Federal Gas Com Well No. 1 is abandoned, the Kerr-McGee seeks approval to produce the spacing and proration unit's gas allowable from the Winston-Federal Gas Com Well No. 2; and

(c) that the entire spacing unit be subject to an acreage factor of 1.00.

7. No operator or affected interest appeared in opposition to the granting of this application.

8. Approval of this application will protect correlative rights of offsetting interest owners and will afford the applicant the opportunity to produce its just and equitable share of the gas in the Morrow formation and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Kerr-McGee Corporation, is hereby authorized to drill its Winston-Federal Gas Com Well No. 2 at an unorthodox gas well location 697 feet from the north line and 2146 feet from the east line (Unit B) Section 31, Township 21 South, Range 24 East, NMPM, Indian Basin-Morrow Gas Pool, Eddy County, New Mexico.

(2) Applicant is further authorized to simultaneously dedicate all of Section 31, Township 21 South, Range 24 East, NMPM, to its currently producing Winston-Federal Gas Com Well No. 1, located 1980 feet from the west line and 2080 feet from the south line (Unit K) and to its proposed Winston-Federal Gas Com Well No. 2 (Unit B) of said Section 31 thereby forming a standard 640-acre gas spacing and proration unit dedicated to these two wells and shall have the option to produce both wells continuously and concurrently, or in the alternative, to produce said wells alternately.

(3) Said spacing unit shall be assigned, for gas allowable purposes, an acreage factor of 1.00 in the Indian Basin-Morrow Gas Pool.

(4) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

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