

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. 11433
ORDER NO. R-10528

**APPLICATION OF ORYX ENERGY COMPANY FOR AN UNORTHODOX
INFILL GAS WELL LOCATION AND FOR SIMULTANEOUS DEDICATION,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 7 and on December 21, 1995 at Santa Fe, New Mexico, before Examiners Michael E. Stogner and David R. Catanach, respectively.

NOW, on this 4th day of January, 1996 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, Oryx Energy Company ("ORYX"), by amended application seeks approval to drill its Bogle Flats Well No. 13 at an unorthodox infill gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool 1020 feet from the North line and 750 feet from the East line (Unit A) of Section 17, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico. Said well is to be simultaneously dedicated to an existing standard 640-acre gas spacing and proration unit for said pool comprising all of said Section 17, which is presently dedicated to its Bogle Flats Well No. 9 (API No. 30-015-10745) located at a standard gas well location 2035 feet from the North line and 1650 feet from the East line (Unit G) of said Section 17.

(3) All of said Section 17 is located within the Indian Basin-Upper Pennsylvanian (Prorated) Gas Pool and is therefore subject to the "*General Rules and Regulations For The Prorated Gas Pools of New Mexico/Special Rules and Regulations For The Indian Basin-Upper Pennsylvanian Gas Pool*", as promulgated by Division Order No. R-8170, as amended, which provides for gas production allocation based only on acreage, standard 640-acre gas spacing and proration units, requires that wells be located no closer than 1650 feet from the outer boundary of the section nor closer than 330 feet from any internal governmental quarter-quarter section line or subdivision inner boundary.

(4) ORYX presented land, geologic, and reservoir engineering data which demonstrates that:

(a) water encroachment is adversely affecting production from the existing Bogle Flats Well No. 9 in Unit "G" of said Section 17;

(b) the proposed Bogle Flats Well No. 13 ultimately will be a "replacement" well for the Bogle Flats Well No. 9 and will be drilled at an unorthodox gas well location in order to gain sufficient structural position in its 640-acre gas spacing and proration unit in an attempt to recover any remaining recoverable gas reserves underlying said Section 17 and thereby protect correlative rights;

(c) the proposed well is immediately needed to protect this proration/spacing unit from further offset drainage occurring from the north, east, and northeast;

(d) the original location for the Bogle Flats Well No. 13 as proposed by Oryx was to be 800 feet from the North and East lines (Unit A) of said Section 17, however this location was unacceptable to the United States Bureau of Land Management's Carlsbad Resource Area Office (U. S. BLM) because of topographic constraints and the proposed location, being acceptable to the U. S. BLM, was then chosen;

(e) Oryx, based upon its geologic interpretation of the location of a "sealing fault" along the western boundary of this section, concluded there were approximately 617 productive acres in this spacing unit; and,

(f) Oryx has entered into a production limitation agreement with Chevron USA Inc. ("Chevron") as the offset operator to the north, east, and northeast and Marathon Oil Company ("Marathon") as an offsetting working interest owner towards whom the subject well encroaches.

(5) Oryx is therefore proposing:

(a) to drill its Bogle Flats Well No. 13 at an unorthodox infill gas well location 1020 feet from the North line and 750 feet from the East line of said Section 17;

(b) that until such time as the Bogle Flats Well No. 9 has "watered out", 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 Bogle Flats Well No. 9 is completely watered out and gas production has ceased, then Oryx seeks approval to produce the spacing and proration unit's gas allowable from the Bogle Flats Well No. 13; and,

(c) as part of a settlement with both Chevron and Marathon, that the entire spacing unit be subject to an acreage factor of 0.695 (being a 30.5% penalty).

(6) Chevron appeared at the hearing and stated its recommendation that a production penalty be assessed against the production from said 640-acre gas spacing and proration unit once the Bogle Flats Well No. 13 is drilled, completed, and capable of producing gas from the Indian Basin-Upper Pennsylvanian Gas Pool.

(7) Because gas allowables in the Indian Basin-Upper Pennsylvanian Gas Pool are established on a 640-acre spacing unit basis and not on an individual well basis, it is not possible under the Division's rules and regulations to implement and monitor an effective penalty against the production from a single well within a multiple well spacing unit.

(8) At the hearing, both ORYX and Chevron agreed that in this case it would be appropriate to apply the penalty formula commonly utilized in this pool against the spacing unit allowable so that the total penalized allowable may be produced from either or both wells in the spacing unit in any combination.

(9) The agreed upon 69.5% of a full unpenalized allowable is appropriate in this case and will serve to provide a reasonable restriction to protect correlative rights of offsetting operators but is sufficient to afford the applicant the opportunity to protect its correlative right to recover its share of remaining recoverable gas underlying its spacing unit before that gas is swept from its unit.

(10) Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Oryx Energy Company ("Oryx"), is hereby authorized to drill its Bogle Flats Well No. 13 at an unorthodox infill gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool 1020 feet from the North line and 750 feet from the East line (Unit A) of Section 17, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.

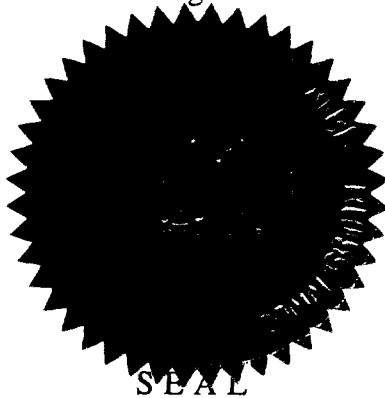
(2) Said well is to be simultaneously dedicated to an existing standard 640-acre gas spacing and proration unit comprising all of said Section 17, which is presently dedicated to its Bogle Flats Well No. 9 (API No. 30-015-10745) located at a standard gas well location 2035 feet from the North line and 1650 feet from the East line (Unit G) of said Section 17.

PROVIDED HOWEVER THAT:

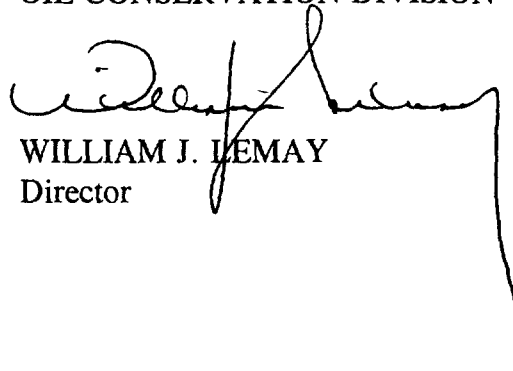
(3) Said proration/spacing unit shall be assigned, for gas allowable purposes, an acreage factor of 0.695 in the Indian Basin-Upper Pennsylvanian Gas Pool.

(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