



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

April 30, 1997

Mr. Jim Bruce
Attorney At Law
P. O. Box 1056
Santa Fe, New Mexico 87504

RE: CASE NO. 11749
ORDER NO. R-10796

Dear Mr. Bruce:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally Martinez
Sally E. Martinez
Administrative Secretary

cc: BLM - Carlsbad

**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. 11749
Order No. R-10796**

**APPLICATION OF KCS MEDALLION
RESOURCES FOR COMPULSORY POOLING
AND AN UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 17, 1997, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 30th day of April, 1997, 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, KCS Medallion Resources, Inc., seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 14, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico, and in the following manner:

the E/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320 acres within said vertical extent;

the SE/4 forming a standard 160-acre spacing and proration unit for any and all formations and/or pools spaced on 160 acres within said vertical extent;

the S/2 SE/4 forming a standard 80-acre spacing and proration unit for any and all formations and/or pools spaced on 80 acres within said vertical extent; and,

the SW/4 SE/4 forming a standard 40-acre spacing and proration unit for any and all formations and/or pools spaced on 40 acres within said vertical extent.

Said units are to be dedicated to the applicant's proposed Aid State Well No. 14-1 to be drilled at an unorthodox well location 660 feet from the South line and 1330 feet from the East line (Unit O) of Section 14.

(3) At the time of the hearing, the applicant testified that it has reached voluntary agreement with all interest owners within the E/2 of Section 14 and therefore requested that the portion of its application to pool all mineral interests from the surface to the base of the Morrow formation underlying the E/2, SE/4, S/2 SE/4 and SW/4 SE/4 of Section 14 be dismissed.

(4) Applicant's geologic evidence and testimony indicates that the primary target within the subject well is the Morrow formation.

(5) The proposed well and spacing unit are located within one mile of the Aid-Morrow Gas Pool, the South Empire-Morrow Gas Pool and the Empire-Pennsylvanian Gas Pool. All three pools are currently governed by Rule No. 104.C.(2) of the Division General Rules and Regulations which require wells to be located no closer than 1650 feet from the end boundary nor closer than 660 feet from the side boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(6) Applicant's geologic evidence and testimony indicates that a well drilled at the proposed unorthodox location should encounter a greater amount of net sand within the Morrow formation than a well drilled at a standard gas well location thereon, thereby increasing the likelihood of obtaining commercial gas production.

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

(8) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pools, 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:

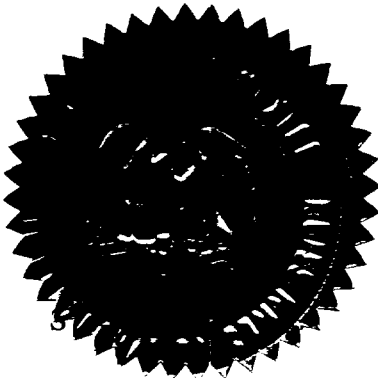
(1) The application of KCS Medallion Resources, Inc., for an order pooling all mineral interests from the surface to the base of the Morrow formation for all formations developed on 320-acre spacing underlying the E/2, in all formations developed on 160-acre spacing underlying the SE/4, in all formations developed on 80-acre spacing underlying the S/2 SE/4, and in all formations developed on 40-acre spacing underlying the SW/4 SE/4 of Section 14, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico, said unit to be dedicated to the proposed Aid State Well No. 14-1, is hereby dismissed.

(2) The applicant, KCS Medallion Resources, Inc., is hereby authorized to drill its Aid State Well No. 14-1 at an unorthodox gas well location 660 feet from the South line and 1330 feet from the East line (Unit O) of Section 14, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico.


(3) The E/2 of Section 14 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit.

(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