

**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. 12309
ORDER NO. R-11308**

**APPLICATION OF POGO PRODUCING COMPANY FOR A NON-STANDARD
GAS SPACING AND PRORATION UNIT AND AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 16, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 13th day of January, 2000, 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, Pogo Producing Company, seeks an exception to the well location and spacing requirements provided within the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*," set forth in Division Order No. R-2917, as amended; for: (i) the formation of a non-standard 318.82-acre gas spacing and proration unit comprising Lots 3 and 4, the E/2 SW/4 and the SE/4 (S/2 equivalent) of Section 7, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico, and (ii) the dedication of this unit to its proposed Davis "7" Well No. 1 to be drilled at an unorthodox gas well location 660 feet from the South and West lines (Lot 4/Unit M) of Section 7.

(3) The "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*" currently require standard 640-acre gas spacing and proration units with wells to be located no closer than 1650 feet to the outer boundary of the section and no closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12473 Exhibit No. 3
Submitted by:
Harvey E. Yates Company
Hearing Date: August 10, 2000

(4) The McMillan-Morrow Gas Pool currently comprises the following described area:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM

Section 13: All
Section 24: All
Section 23: SE/4
Section 26: N/2

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

Section 7: All
Section 18: All
Section 19: All

(5) By Order No. R-5829 issued in Case No. 6337 on October 6, 1978, the Division, upon application of Mark D. Wilson, limited the area subject to the "Special Rules and Regulations for the McMillan-Morrow Gas Pool" to a five-section area comprising Sections 13 and 24, Township 20 South, Range 26 East, and Sections 7, 18 and 19, Township 20 South, Range 27 East.

(6) The applicant presented geologic evidence indicating that:

- (a) the primary target within the proposed Davis "7" Well No. 1 is the "Singer" sand within the Morrow formation;
- (b) based upon the performance of other wells in the pool, the applicant estimates that the Davis "7" Well No. 1 needs to encounter at least 30 feet of gross "Singer" sand in order to produce commercial quantities of gas from the Morrow formation;
- (c) the "Singer" sand traverses Section 7 in a northwest to southeast direction and is present within the entire SW/4 and in portions of the SE/4 and NW/4 of Section 7;
- (d) the area of greatest "Singer" sand thickness (>40 feet) occurs within the SW/4 SW/4 of Section 7;

- (e) the proposed unorthodox gas well location is necessary in order to encounter the "Singer" sand in the area of greatest sand thickness within the SW/4 of Section 7; and
 - (f) due to the limited extent of the "Singer" sand within the N/2 of Section 7, this area should not contribute production to the Davis "7" Well No. 1.
- (7) The applicant presented engineering evidence and testimony indicating that:
- (a) the McMillan-Morrow Gas Pool has previously been tested in Section 7 by the (i) Harvey E. Yates Company Hondo Singer "A" Well No. 1 located in Unit P; and (ii) Harvey E. Yates Company Singer Davis Well No. 1 located in Unit K;
 - (b) the Singer "A" Well No. 1 was completed in the Morrow formation in 1965 and IP'd at a rate of approximately 306 MCFGD. The well cumulatively produced 34 MMCFG from the McMillan-Morrow Gas Pool prior to being plugged and abandoned;
 - (c) the Singer Davis Well No. 1 was completed in the Morrow formation in 1976 and IP'd at a rate of approximately 2.9 MMCFGD. The well cumulatively produced 127 MMCFG from the McMillan-Morrow Gas Pool prior to being plugged and abandoned;
 - (d) the drainage areas for wells within the McMillan-Morrow Gas Pool varies considerably and is generally less than 220 acres; and
 - (e) there are currently only two wells producing from the McMillan-Morrow Gas Pool, the Atasca Resources Inc. State "19" Com Well No. 1, located in Unit F of Section 19, Township 20 South, Range 27 East, and the Yates Drilling Company Pecos River Deep Unit Well No. 3, located in Unit H of Section 13, Township 20 South, Range 26 East.

(8) The applicant testified it provided notice of its proposed non-standard gas proration unit and unorthodox gas well location to all working, royalty and overriding royalty interest owners within the N/2 of Section 7, Township 20 South, Range 27 East, and the E/2 and SW/4 of Section 12, Township 20 South, Range 26 East.

(9) Notice of this application was also provided to Yates Drilling Company, the operator of the Pecos River Deep Unit Well No. 3 in Section 13.

(10) The remaining affected acreage is located to the south in Section 18 and is currently owned by the applicant.

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

(12) Approval of the proposed non-standard gas proration unit and unorthodox gas well location will provide the applicant the opportunity to recover the remaining gas reserves in the McMillan-Morrow Gas Pool within the S/2 of Section 7, thereby preventing waste, and will not violate correlative rights.

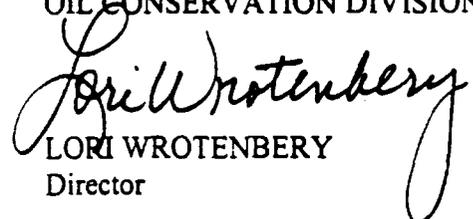
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Pogo Producing Company, is hereby granted an exception to the well location and spacing requirements provided within the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*" for (i) the formation of a non-standard 318.82-acre gas spacing and proration unit comprising Lots 3 and 4, the E/2 SW/4 and the SE/4 (S/2 equivalent) of Section 7, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico, and (ii) the dedication of this unit to its Davis "7" Well No. 1 to be drilled at an unorthodox gas well location 660 feet from the South and West lines (Lot 4/Unit M) of Section 7.

(2) 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


LORI WROTENBERY
Director