

**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. 10511
Order No. R-9712**

**APPLICATION OF MITCHELL ENERGY
CORPORATION FOR AN UNORTHODOX GAS
WELL LOCATION AND FOR NON-STANDARD
PRORATION UNITS, LEA COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 23, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of September, 1992, 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, Mitchell Energy Corporation, seeks authority to drill its Crazy Horse "18" Federal Well No. 1 at an unorthodox gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 18, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, to test for production in the Undesignated Lusk-Strawn Pool, Undesignated Lusk-Atoka Gas Pool, and the Lusk-Morrow Gas Pool, said location being standard for the Strawn horizon but unorthodox for the Atoka and Morrow horizons.

(3) The subject well is located within one mile of the Lusk-Strawn and Lusk-Atoka Pools and within the current boundary of the Lusk-Morrow Gas Pool.

(4) The applicant further seeks approval to develop the Strawn interval on a 121.61-acre non-standard oil proration unit comprising Lots 1 and 2 (W/2 NW/4 equivalent) and the NE/4 NW/4 of Section 18, and to develop both the Atoka and Morrow intervals on a 281.61-acre non-standard gas proration unit comprising Lots 1 and 2 (W/2 NW/4 equivalent), the NE/4 and the NE/4 NW/4 of Section 18.

(5) The Lusk-Strawn Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-2175-B, which require 160-acre spacing and proration units with wells to be located no closer than 660 feet from any quarter section line nor closer than 330 feet from any quarter-quarter section line.

(6) The Lusk-Atoka Gas Pool is currently governed by General Statewide Rules and Regulations which require 320-acre spacing and proration units with wells to be located no closer than 1980 feet from the end boundary of the proration unit 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.

(7) The Lusk-Morrow Gas Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-2373, as amended, and Division Order No. R-6197, which require 640-acre spacing and proration units with wells to be located no closer than 1650 feet from the outer boundary of the proration unit.

(8) According to applicant's evidence, it currently owns Lots 1 and 2 (W/2 NW/4 equivalent), the NE/4 and the NE/4 NW/4 of Section 18. The remainder of the acreage within Section 18 is located within the Lusk Deep Unit, a Federal exploratory unit formed May 17, 1960 and currently operated by Phillips Petroleum Company.

(9) The NE/4 and SE/4 of Section 18 have previously been developed in the Strawn formation, respectively, by the Middleton Federal Well No. 1 located in Unit H, and the Lusk Deep Unit Well No. 2 located in Unit O.

(10) The S/2 of Section 18 has also been previously developed in the Atoka formation by the Lusk Deep Unit Well No. 13 located in Unit K.

(11) In addition, all of Section 18 has been previously developed in the Morrow formation by the aforesaid Lusk Deep Unit Well Nos. 2 and 13. The Lusk Deep Unit Well No. 2 was dedicated to a 360-acre non-standard unit comprising the S/2 and SE/4 NW/4; the Lusk Deep Unit Well No. 13 was dedicated to a standard 640-acre unit comprising all of Section 18.

(12) The Middleton Federal Well No. 1 and the Lusk Deep Unit Well Nos. 2 and 13 have all been plugged and abandoned.

(13) According to applicant's evidence and testimony, it has unsuccessfully attempted to secure the participation of Phillips Petroleum Company in the drilling of the proposed Crazy Horse "18" Federal Well No. 1.

(14) In support of its request for an unorthodox gas well location, the applicant presented geologic evidence and testimony which indicates that a well drilled at the proposed location should encounter a greater amount of net sand within both the Atoka and Morrow formations than would a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial gas production.

(15) Lots 1 and 2 (W/2 NW/4 equivalent) and the NE/4 NW/4 of Section 18 may reasonably be presumed productive of oil from the Strawn formation, and the entire non-standard oil proration unit can be efficiently and economically drained and developed by the proposed Crazy Horse "18" Federal Well No. 1.

(16) Lots 1 and 2 (W/2 NW/4 equivalent), the NE/4 and the NE/4 NW/4 of Section 18 may reasonably be presumed productive of gas from both the Atoka and Morrow formations, and the entire non-standard gas proration unit can be efficiently and economically drained and developed by the proposed Crazy Horse "18" Federal Well No. 1.

(17) The applicant has provided notification of its proposal to all offset operators and to all interest owners in Section 18. No interest owner and/or offset operator appeared at the hearing in opposition to the proposed non-standard proration units or unorthodox gas well location.

(18) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil and 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.

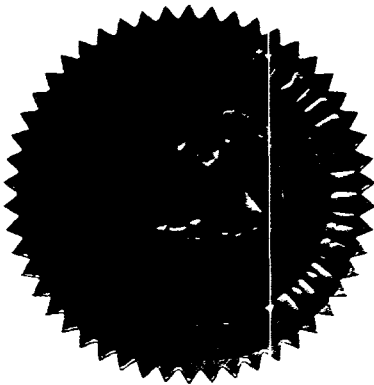
IT IS THEREFORE ORDERED THAT:

(1) A non-standard 281.61-acre gas spacing and proration unit in the Undesignated Lusk-Atoka and Lusk-Morrow Gas Pools comprising Lots 1 and 2 (W/2 NW/4 equivalent), the NE/4 and the NE/4 NW/4 of Section 18, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, is hereby established and dedicated to the applicant's Crazy Horse "18" Federal Well No. 1 to be drilled at an unorthodox gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section 18.

(2) A non-standard 121.61-acre oil spacing and proration unit in the Undesignated Lusk-Strawn Pool comprising Lots 1 and 2 (W/2 NW/4 equivalent), and the NE/4 NW/4 of Section 18, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, is hereby established and dedicated to the aforesaid Crazy Horse "18" Federal Well No. 1.

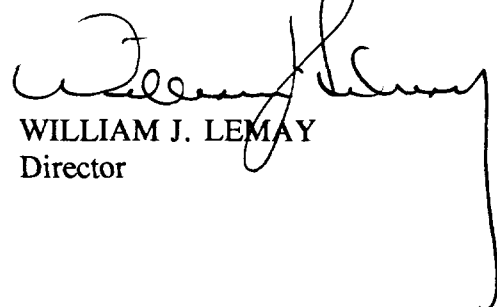
(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director