

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. 9873
Order No. R-9136

APPLICATION OF TAHOE ENERGY, INC.
FOR AN UNORTHODOX GAS WELL LOCATION,
NON-STANDARD GAS PRORATION UNIT AND
SIMULTANEOUS DEDICATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 7, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 21st day of March, 1990, 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, Tahoe Energy, Inc., seeks approval to redesignate acreage in the Jalmat Gas Pool to form a non-standard 160-acre gas spacing and proration unit comprising the S/2 NW/4 and the N/2 SW/4 of Section 12, Township 23 South, Range 36 East, NMPM, Lea County, New Mexico, said unit to be simultaneously dedicated to the existing King Gas Com "WN" Well No. 1 located at a standard gas well location 2310 feet from the South line and 990 feet from the West line (Unit L) of said Section 12 and to the proposed Cochise Well No. 1 to be drilled at an unorthodox gas well location 1980 feet from the North line and 1600 feet from the West line (Unit F) of said Section 12.

CASE NO. 9873
Order No. R-9136
Page -2-

(3) According to the evidence presented, the applicant acquired the subject acreage in May, 1989.

(4) Division records indicate that the S/2 NW/4 of said Section 12 was originally included in a 160-acre non-standard Jalmat gas proration unit comprising the NW/4 of said Section 12, said non-standard unit approved by Division Order No. NSP-316, dated August 15, 1956 and dedicated to the Stevens B-12 Well No. 1 located in Unit F of said Section 12, and that the N/2 SW/4 of said Section 12 was originally included in a 160-acre non-standard Jalmat gas proration unit comprising the SW/4 of said Section 12, said non-standard unit approved by Division Order No. NSP-535 dated November 15, 1960 and dedicated to the above-described King Gas Com "WN" Well No. 1.

(5) The Stevens B-12 Well No. 1, previously operated by Conoco Inc., was plugged and abandoned in November, 1989, thereby in effect terminating Division Order No. NSP-316.

(6) Conoco Inc., the owner of the S/2 SW/4 of said Section 12, did not appear at the hearing in opposition to the proposed non-standard proration unit nor to the exclusion therefrom of the above-described S/2 SW/4 of said Section 12.

(7) At the time of the hearing, the applicant testified that the location for the proposed Cochise Well No. 1, which was advertised in this case as being 1980 feet from the North line and 1600 feet from the West line (Unit F) of said Section 12, has subsequently been relocated to 2000 feet from the North line and 1500 feet from the West line (Unit F) of said Section 12 due to topographic restrictions.

(8) The new location for the proposed Cochise Well No. 1 is more unorthodox with respect to the 330 foot setback requirement for the interior quarter-quarter section lines; however said location is standard with respect to the 660 foot setback requirement for the outer boundary of the proration unit and should not adversely affect the correlative rights of offset operators.

(9) The entire proposed non-standard gas proration unit may reasonably be presumed productive of gas from the Jalmat Gas Pool and the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid King Gas Com "WN" Well No. 1 and Cochise Well No. 1.

CASE NO. 9873
Order No. R-9136
Page -3-

(10) No offset operator appeared or objected to the proposed non-standard gas proration unit, unorthodox gas well location and simultaneous dedication.

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

(12) For purposes of assigning a gas allowable in the Jalmat Gas Pool, the subject proration unit should be assigned an acreage factor of 1.0.

(13) Division Order No. NSP-535 should be superseded by this order.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre gas spacing and proration unit in the Jalmat Gas Pool comprising the S/2 NW/4 and the N/2 SW/4 of Section 12, Township 23 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby established and simultaneously dedicated to the existing King Gas Com "WN" Well No. 1 located at a standard gas well location 2310 feet from the South line and 990 feet from the West line (Unit L) of said Section 12 and to the Cochise Well No. 1 to be drilled at an unorthodox gas well location 2000 feet from the North line and 1500 feet from the West line (Unit F) of said Section 12, which location is also hereby approved.

(2) Division Order No. NSP-535 is hereby superseded by this order.

(3) For purposes of assigning a gas allowable in the Jalmat Gas Pool, the subject proration unit shall be assigned an acreage factor of 1.0.

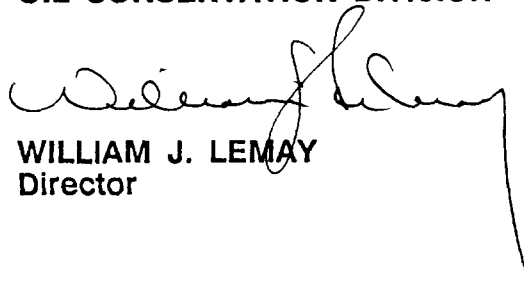
(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 9873
Order No. R-9136
Page -4-

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director