

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. 10417
ORDER NO. R-9635*

**APPLICATION OF COQUINA OIL CORPORATION
FOR AN UNORTHODOX GAS 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 December 19, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of January, 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, Coquina Oil Corporation, seeks approval of an unorthodox gas well location to be drilled 990 feet from the North and East lines (Unit A) of Section 34, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.
- (3) The N/2 of said Section 34 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools from the surface to the base of the Morrow formation spaced on 320 acres, which presently includes but is not necessarily limited to the Undesignated Dagger Draw-Strawn Gas Pool, North Cemetery-Atoka Gas Pool and Cemetery-Morrow Gas Pool.

(4) Coquina Oil Corporation, a wholly owned subsidiary of American National Petroleum Company, is the lessee of a particular federal lease which includes both the N/2 of said Section 34 and the SE/4 of adjacent Section 27. Coquina also owns the operating rights in the N/2 of said Section 34 and is the owner/operator of the Pan Canadian Well No. 1 located at a standard gas well location within the 320-acre gas spacing and proration unit 1980 feet from the North and West lines (Unit F) of said Section 34.

(5) Division records indicate that said well was originally drilled in late 1973, completed in the Cemetery-Morrow Gas Pool in January, 1974, produced Morrow gas from June 4, 1975 to May 9, 1977, was recompleted to the North Cemetery-Atoka Gas Pool in May, 1977, produced Atoka gas from May 9, 1977 to September 26, 1977. The well was then recompleted back into the Morrow interval in October, 1977. Morrow production was re-established on October 1, 1977. In May, 1985, operations to temporarily abandon said well were completed.

(6) Nearburg Producing Company, who operates the two Morrow gas wells located in the S/2 of Section 26 and the N/2 of Section 35, and who also is the lessee of the SW/4 of Section 27, all in Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, appeared at the hearing in opposition to the subject application.

(7) Both parties in this case limited their technical testimonies to the Morrow formation and chose not to address the possibility of Atoka, Upper Pennsylvanian or Wolfcamp gas production; therefore, any decision rendered in this case should be limited to the Morrow zone *only*.

(8) The Cemetery-Morrow Gas Pool is not prorated and is presently developed on statewide rules applicable to zones spaced on 320 acres.

(9) At the time of the hearing, both parties requested the Division either approve or deny the subject application without considering the imposition of a penalty factor to *any* gas production from the proposed well. The subject pool is not prorated and the implementation of any production penalty would be difficult to administer. Coquina's and Nearburg's mutual request should therefore be granted.

(10) Geological and engineering data presented at the hearing indicates the presence of undrained hydrocarbons within the Morrow interval remaining in the eastern portion of the N/2 of said Section 34.

(11) The closest Morrow producing well to the proposed location is Nearburg's Boyd State "26-M" Well No. 1 located at a previously approved unorthodox gas well location for its 320-acre gas spacing and proration unit comprising the S/2 of Section 26, 1200 feet from the South line and 750 feet from the West line (Unit M) of said Section 26, which was the subject of Division Order No. R-8687, issued in Case No. 9405 and dated July 5, 1988.

(12) The N/2 of said Section 34 and the S/2 of the aforementioned Section 26 share one common point; that being the intersection of Sections 26, 27, 34 and 35, all in Township 19 South, Range 35 East, NMPM, Eddy County, New Mexico. The Nearburg Producing Company Boyd State "26-M" Well No. 1 is located 1415 feet from this common point. The proposed Coquina well will be located 1400 feet from this common point.

(13) Effectively, both wells would be offsetting the other Morrow-productive property equally and any possible drainage encroachment that might occur would be balanced by the other.

(14) Said application is in the best interest of conservation, will afford the operator the opportunity to produce its just and equitable share of gas in the subject pool, will prevent waste and protect correlative rights and should therefore be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Coquina Oil Corporation for an unorthodox gas well location for Cemetery-Morrow Gas Pool production *only* is hereby approved for a well to be drilled 990 feet from the North and East lines (Unit A) of Section 34, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

(2) The N/2 of Section 34 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool.

IT IS FURTHER ORDERED THAT:

(3) The existing Pan Canadian Well No. 1 located at a standard gas well location within the subject 320-acre unit, 1980 feet from the North and West lines (Unit F) of said Section 34, shall be properly plugged back on a permanent basis from the Morrow zone.

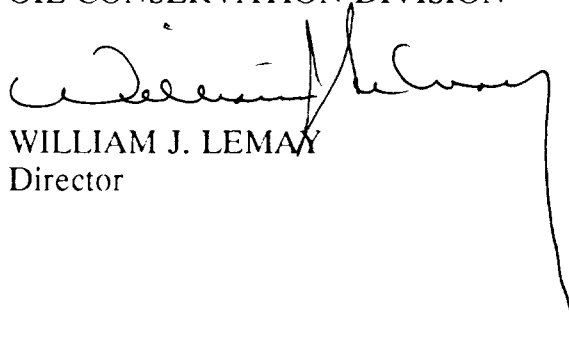
(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



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A handwritten signature in cursive script, which appears to read "William J. Lemay", is written over the printed name. The signature is fluid and extends to the right with a long, sweeping tail.

WILLIAM J. LEMAY
Director